

ROI for HR Document Management



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Executive Summary



Human Resources departments are constantly challenged to do more with less. Most HR teams operate with barely enough resources to stay on top of the day-to-day requirements, and do not have any extra bandwidth for anything out of the ordinary. In fact, most HR leaders find little time to raise their sights above the basics in order to contribute to the more strategic goals of the company, or address the growing need to invest in employee engagement. **Automating HR document management can help.**

The Gartner “Hype Cycle for Human Capital Management Software, 2014” marked the first inclusion for Document Management as a category in the range of technologies available to HR departments. Gartner Research Director, Ron Hanscome, who compiled the analysis for Digital HR Document Management, gives a benefit rating of “high” for businesses to adopt a solution that will “enable enterprises to

more effectively store, access and manage HR documents while complying with multi-jurisdictional regulatory requirements for security and retention.”¹ The report goes on to say that “digitization of HR documents can result in productivity savings of 15% or greater due to the time saved searching for information versus manually looking through paper files in responding to information requests or compliance audits, and the delivery of secured access to data to HR administrators and managers to support HR processes.”

The question is how to measure the return on investment (ROI) of adopting an HR document management platform. This Special Report provides a foundation to determine your ROI and the benefits you will achieve with CartaHR.

Background

Nearly every company has grown accustomed to maintaining paper employee files. Depending on the size of the organization, the files may reside in a filing cabinet in the HR Director's office, in a file room or offsite in a records center, but they exist someplace. And, the more turnover and/or growth, the bigger the record keeping challenge. Additionally, in businesses that are growing through M&A, are highly regulated or are subject to internal or external oversight, HR bears the responsibility of ensuring employees are properly documented, and must produce those documents on-demand.

This eBook explores five key areas where CartaHR document management will deliver a measurable return on investment:

- Employee file creation, maintenance and response to requests.
- Audits, oversight and avoidance of fines.
- Compliance with Information Governance requirements.
- Reporting and analysis.
- Physical office space reduction.

The bottom line is that reducing the document management burden on the HR staff will greatly improve productivity and efficiency.



File Creation, Maintenance and Responding to Requests

The typical organization has between 30 and 60 unique types of documents in each employee file. Many of these documents are created during the onboarding process, but there are also quite a number of periodic documents, such as performance reviews, certifications, acknowledgements and licenses, that get filed throughout the years. That is a lot of paperwork!

“With approximately 4,000 employees in a regional office, we have always hired temporary labor file clerks to help us get through the filing. The temps would always get pulled into doing other work that was more urgent. It happened 100% of the time. In turn, the paperwork and new-hire files would pile up higher and higher.”

This is a common complaint that typically leads to house cleaning days to clear the backlog of filing or, all too often, after-hours or weekend work to catch up.

“Where’s The File?” is a common refrain in the HR world, and missing or misfiled documents increase the average retrieval time significantly. It is estimated that companies spend \$20 in labor to file one document, \$120 to find a misfiled document and \$220 to reproduce a lost document.² To make matters worse, the same study found that 7.5% of all documents get lost, and 3% get misfiled. A different study reached a similarly disturbing conclusion that,

on average, it takes 51 minutes to locate an existing file³ and be in a position to work on its contents, while creating a new file takes even longer.

A company that hires 50 people per month will invest approximately one quarter of a full time headcount in HR just to file onboarding documents. That does not include the time required to track down the paperwork and chase the hiring managers for forms and documents they neglected to send to HR. In most environments, this level of hiring requires at least half the time of an HR person, if not more. One study showed that 71% of the HR staff’s time is spent on service delivery, record keeping, compliance and internal management.⁴

One reason HR files are kept onsite is that they are active files, and there are frequent requests to retrieve documents from the files. Information requests come in all forms: managers may want to see employee reviews, or check to see if an employee signed a particular form; if a legal issue arises, there is an immediate need to see what is in the employee's file and share it with counsel; or an employee may request access to documents in their own file, such as their last W-4 form. All of these requests take HR time.

CartaHR, the process is under 10 seconds.

Creating a new file is even easier because, once a new-hire appears in your HRIS, the CartaHR Integration Bridge will automatically add the new employee file to your HR records. You can add documents to your new file in numerous ways – email, upload or SFTP transfer. Paper documents can be easily scanned on a multi-function device and delivered to CartaHR. With a simple drag-and-drop, electronic documents can be added to your files, or better yet, with built-

$(\text{Number of new hires per month} + \text{Avg \# of file requests}) \times (\text{Minutes per file}) / 60 \text{ minutes per hour} = \text{"Hours per Month"}$

$(\text{Hours per Month}) / 160 \text{ hours per full-time person} = \% \text{ of a full time equivalent [FTE]}$
 $\text{Average loaded salary of an HR FTE} \times \% \text{ of FTE} = \text{Cost per Year}$

Here is a simple way to calculate the cost for your organization: scale the magnitude of the challenge to align with your organization's hiring and file request activity. For easy numbers, we will assume a consistent number of minutes per file as an average for creating new folders, filing documents in existing folders and retrieving documents from existing folders.

in e-forms, you can avoid paper altogether and automate the entire process.

As a full-service partner, Access can even take the entire challenge off your hands and perform the scanning and filing for you.

CartaHR Solution

With CartaHR, every file and every document is as close as three clicks of the mouse, no matter where you are located – even when you are accessing the files from your mobile device. Instead of the 51 minutes mentioned previously to find a file and act on it, with

To compare the cost of the existing manual system to a CartaHR environment, we will use a conservative 30 'Minutes per file' for the manual system (instead of 51 minutes) and 10 seconds, or 0.17 minutes for CartaHR.

Cost Comparison Example:

Manual System:

(50 new-hires per month + 50 requests per month)
X 30 minutes per file / 60 minutes per hour
= 50 hours per month

50 hours per month / 160 hours per full-time person
= 32% of an FTE

\$60,000 per FTE X 32% = **\$19,200 per year**

CartaHR System:

50 new-hires per month × .17 minutes per file
/ 60 minutes per hour
= 0.14 hours per month

0.14 hours per month / 160 hours per full-time
person = <1% of an FTE

\$60,000 per FTE × 1% = **\$600 per year**

You can insert your own numbers in these comparisons, but the answer is always a dramatic savings for adopting CartaHR.



Audits, Oversight, Lawsuits and Avoidance of Fines

In one study, 52% of mid-size companies reported at least one recent incident of HR-related complaints, charges or lawsuits. The statistics compiled by Jury Verdict Research show that employment lawsuits have risen 400% in the last 20 years, with the average compensatory award in federal employment cases now exceeding \$490,000 (not including punitive damages or attorney's fees).⁵

Audits of HR documents are also happening with increasing frequency. I-9 audits alone have grown dramatically in the last few years. As a result, many companies have introduced self-audits to ensure they remain vigilant and prepared for the inevitable external review.

If you are unfortunate, you may be subjected to an OFCCP, DHS or DOL audit. From the time the regulators make their demand, depending upon the type of audit, your organization may have only hours or days to produce the documents, and delays result in fines. To make matters worse, often the regulators make a point of showing up on Friday afternoon, and the clock runs through the weekend. That usually translates into HR personnel working through the weekend to gather up the requested documents.

Any time there is an audit of HR files, the HR staff has to cull through the records and extract the necessary documents for review. This often means making copies or scans for the lawyers or auditors, and then returning the originals back into the files – a VERY time-consuming process.

CartaHR Solution

When documents are managed within CartaHR, three key challenges of the audit process are immediately resolved. First, within seconds you can request all of the documents of a certain type for any or all employees, or all of the documents for one or more employees to support your legal response.

For example, an I-9 audit for all employees at a

particular location can be satisfied by selecting the I-9 document type and filtering the results to show just the required location. **Total time under 1 minute.**

Next, you need a way to show the proof to the auditor or share the documents with counsel. CartaHR provides built-in, secure data rooms for sharing collections of documents internally or with third parties. Once you have identified all the documents you need to produce, **within another few seconds** you can 'move' them into a data room and send a notification to the auditor or lawyer. They will receive a secure link to the data room to review the documents. No actual copies are ever made, and the documents never leave your secure CartaHR environment. You can even control how long the secure link will continue to be available. The system will automatically monitor the recipient's activities and provide you with an audit trail of what they did and which documents they reviewed. You control whether they can print, email or save any documents to their local storage, so the entire process is buttoned up.



CLIENT STORY

"[We are] audited constantly by internal and external auditors. It is so much simpler to have the paperwork that you need at the click of a mouse instead of going through piles of paper. We lost documents constantly. During one audit, we had to hire three temps to search for 300 files between two different offices and then copy and scan all of them. That turned into weeks of labor we had to pay for."

Lastly, if you are missing critical documents it does not matter how great you are at responding to an audit request. You still have a problem. CartaHR has a built-in Compliance Monitor that will tell you in advance if you have all of the required documentation in your files. You tell CartaHR what documents you need to have, and it will continuously monitor all files to make sure they are complete and up-to-date. If any file is missing a required document, the system will automatically notify you and initiate a workflow process to track it down. It only takes minutes to set up a compliance monitor, and the rest is on autopilot. No more surprises during an audit – no time required.

Cost Comparison Example:

Manual System:

2 Weeks of temporary labor or long weekends for the HR staff = ~\$2,000

2 Audits per Year = \$4,000 per year

CartaHR System:

10 minutes per audit = \$200 per year

You can insert your own numbers in these comparisons, but the answer is always a dramatic savings for adopting CartaHR.



Compliance With Information Governance Requirements

Most organizations have a corporate file-plan that defines retention policies for various types of corporate records. Information Governance has become a focus of records management professionals and corporate compliance and legal teams. HR documents are typically considered corporate records, and therefore fall within compliance rules.

However, 64% of HR decision makers in small to midsized companies have many other responsibilities and lack the time and resources to confront increasingly challenging compliance requirements. Each HR document has a different retention period. In some cases, the retention clock starts when the document is created and filed but, for many documents, the retention clock starts when the employee is terminated. Even within a single domain, retention may vary. For example, some ERISA documents must be retained only one year, while other ERISA documents must be retained for six years or more.

Some organizations make blanket rules that all employee folders must be retained for a certain number of years after an employee terminates. This approach is just an approximation of the retention requirements, but it is rarely the technically correct answer. The reason for an approximation is that it is too time-consuming and difficult to constantly cull through personnel files to pull out the individual expiring documents.

With traditional paper files, getting it “right” is nearly impossible, so HR files become an unintended source of risk and liability. The benefits may be substantial in the event of a lawsuit or regulatory audit but, as a practical matter, no organization is prepared to make the investment.

Any documents you have pertaining to an employee are discoverable, so you and your counsel need to know exactly what you have. Perhaps more importantly, your organization needs to be able to rely upon HR to comply with corporate retention policies, particularly for documents you destroy, or the ones you should have destroyed.

In one reported case, a company retained old timecards beyond their stated policy for retention. The old timecards became discoverable and the company lost a legal action due to what was on them.

“Most corporate counsel are unaware of the underlying risk because they trust that their carefully crafted policies are being followed, when in fact they are not.”

CartaHR Solution

Once documents are digitized and classified in the CartaHR platform, compliance with governance and retention rules becomes a breeze. Each document type can be assigned a unique retention period and its own triggering event (termination, new-hire, annual renewal, etc.). Once the triggering event occurs, the clock begins to tick, and when the retention period is reached, the document is automatically deleted.

Frequently, when there is an active case or litigation underway, it is necessary to

preserve documents and place a hold on them to prevent them from being deleted. The CartaHR litigation hold capability enables you to place documents or sets of documents on hold, and any document may be subject to multiple holds.

To paraphrase a popular advertisement, the value of finally being able to comply with corporate information governance policies: "priceless."



Reporting and Analysis

For many HR departments, the tools of choice for reporting are a word processor and a spreadsheet. While many HRIS platforms typically have some form of reporting capabilities, the various technologies are effectively silos of information. It is hard to build a holistic view of an employee and generate a complete report across all the HR systems in place.

Often, HR is responding to a request or reporting on a campaign, such as an employee acknowledgement, a benefits enrollment or an annual review process. Campaigns may run for weeks, and reporting and analysis are a means to determine the effectiveness of the campaign and tally the results. As the campaign proceeds, the spreadsheet or report is a tool to measure progress, but the HR staff still has to manually chase individuals to participate or complete their forms.

How much time are you wasting manually creating reports in a spreadsheet or word processor, and then doing the legwork to drive your campaigns to completion? First, determine how many times per year your team has to perform these functions – two, four, twelve or more?

What is the typical level of effort required to compile a report or drive a campaign? Maybe a few hours per report, and several days per campaign?

Let's go back to our earlier formulas to calculate the cost to your organization of these tasks:

$((\text{Number of reports developed per year} \times \text{hours per report}) + (\text{Number of campaigns per year} \times \text{days per campaign})) / 8 \text{ hours per day} = \text{"Days per Year"}$

$(\text{Days per Year}) / 200 \text{ days per full-time person} = \% \text{ of a full-time equivalent [FTE]}$
 $\text{Average loaded salary of an HR FTE} \times \text{'\% of FTE'}$
= Cost per Year

CartaHR Solution

With CartaHR, the process of creating a report moves from days to minutes, and campaigns practically manage themselves.

In CartaHR, any question or data query will result in a report that can be exported to your favorite tool (Excel, PDF, etc.), or printed and exported directly from CartaHR. If it is a common question, you can save it as a “favorite” that can be run with a single click of the mouse. A typical report can be constructed and run in minutes.

CartaHR campaigns enable you to easily set up a standard communication, merge it with a list of employees and send out one or more electronic forms or documents to each employee with pertinent information already filled in. The system will automatically manage responses and report on progress, and with workflow notifications, it will remind individuals to send in their forms without any intervention from you.

Setting up a campaign can be achieved in minutes, once you have the documents and forms ready. For purposes of comparing CartaHR to your old manual environment, let's be generous and assume two hours to launch a campaign:

Manual System:

Assume a report requires 4 hours, and a campaign requires 4 days

12 unique reports per year = ~\$2,000 per year

4 campaigns per Year = ~\$5,000 per year

Total = \$7,000 per year

CartaHR System:

10 minutes per report = \$75 per year

2 hours per campaign = \$300 per year

You can insert your own numbers in these comparisons but, once again, the answer is always a dramatic savings for adopting CartaHR.



Physical Office Reduction

Office space is a straightforward place to look for a ROI on moving from paper to digital HR document management. As was noted above, nearly every company has paper HR files some place. Depending on the size of the organization, the paper filing may be only a few drawers of files, an entire room or more.

A typical four foot, lateral file cabinet is two feet deep and four feet long, or a total of eight square feet but, from a practical level, you need space to be able to access the files, so with the drawer open, call it double, or 16 square feet. Each drawer will hold about 50 typical HR files containing, on average, 80 pages per file. Therefore, a cabinet that is four drawers high will contain about 200 active employee files.

A company with 2,000 employees will consume 10 lateral file cabinets just to hold the active employees, and even more if you are retaining records on inactive employees. That will require as much as 160 square feet of office space. The arithmetic is pretty simple:

Office Rent Per Square Foot × Number of Cabinets × 16 Square Feet Per Cabinet = Annual Cost of Onsite Paper File Storage

CLIENT STORY

“Digitizing our records has helped us consolidate a large amount of office space. We had four divisions merging into one office and were quickly running out of file space. Now, we are actually in the process of converting an old “file room” into much needed workspace. We were able to do that by removing all the HR file cabinets.”

CartaHR Solution

One of the great benefits of moving to a digital platform is that you can reclaim your office space. Many companies are in the midst of downsizing their offices, or consolidating divisions, and space for files is at a premium. An argument for maintaining paper HR files onsite has always been that these are highly sensitive and active files. If you are going to be in and out of the files frequently, you want them close by, and you do not want to expose the sensitive personal data to an unsecured environment.

With CartaHR, once the files are digitized, the paper becomes simply a backup (if it is needed at all), and the online digital version of the information becomes the primary source for HR and every other department. You have a choice to make to either digitize the files and destroy the paper, or digitize and store the paper in a low-cost offsite location.

CartaHR is an application that is supported by the entire breadth of Access' products and services; we can destroy the paper for you or store the paper files in our highly secure records centers, while you rely upon the CartaHR application as your primary platform.

Paper Records Onsite:

Assume \$50 per square foot rent cost
2,000 employees = 10 file cabinets = 160 sq. ft.
\$8,000 per year

CartaHR System:

Eliminate all file cabinets and reclaim your valuable office space.

Offsite storage for the paper with Access
<\$1,000 per year

You can insert your own numbers in these comparisons, but the answer is always a dramatic savings for removing the paper files from your office environment.



The bottom line is that reducing the document management burden on the HR staff will greatly improve productivity and efficiency.

Conclusion

There are numerous factors that will go into calculating a Return On Investment for making the switch from traditional HR documents to CartaHR. This report highlighted five areas that deliver substantial financial savings. Your organization's numbers may vary from these examples, but the overall magnitude of the return will be substantial nonetheless.

It is often easy for an organization to turn a blind-eye to the needs of the HR department, or to place HR projects on the backburner. Unfortunately, with increasing frequency, this leads to blindly bumping into costly audits and litigation, or being burned by failing to comply with Information Governance policies. HR deals with some of the most sensitive personal information within an organization, and yet the tools to manage this modern information are too often from the industrial era of old-fashioned file cabinets and file rooms. It is time to cross the bridge to the paperless future with CartaHR.

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CartaHR

CartaHR is built for HR teams and allows you to manage employee documents securely and efficiently—so you can spend less time on paperwork and focus more on recruiting, developing and retaining a winning team.

For more information about CartaHR, or to discuss a personalized ROI analysis, contact: discover@accesscorp.com or visit www.accesscorp.com to view our extensive library of Special Reports, recorded webinars and informational videos.

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