

CASE STUDY

Client: Lhoist

Solution: Vertex® Sales & Use Tax Returns Outsourcing

Lhoist “co-sources” monthly compliance with Vertex.



Company Profile

Lhoist is an international manufacturer of lime and mineral products for industrial applications. The company has more than five manufacturing entities throughout the U.S., and they file more than 500 sales tax returns each year.

Lhoist made a strategic decision *not* to maintain the expertise and software in-house to manage monthly compliance for sales tax, income tax, and property tax. “We have a small tax department,” explains Genice Joyce, Tax Manager, “our role is more consultative. Compliance is very time consuming and we wanted to focus on more value added work.” In addition, Joyce adds, Lhoist found the compliance role more difficult to recruit due to the skill set required and the routine workflow it entails.

When to Switch Outsourcing Providers

Lhoist outsourced to one provider for over ten years, and then switched to Vertex in 2012. “There were a few different reasons we decided to switch,” explains Joyce. “Our previous service provider was sold and the fees increased with the new company. We began to look more closely at the relationship and found the information they provided was lacking, they did not adequately understand our business, and we just knew we would not get the level of service we needed.”

So Joyce and her colleague, Tax Analyst Pam Lunk, conducted an RFP process with multiple compliance outsourcing providers. “We needed an outsourcing provider who could prepare returns more accurately, give us more detailed information, and provide easier access to our data,” she explains.

Conducting an RFP

Joyce explains the criteria used to evaluate the returns outsourcing providers:

Accuracy. Joyce explains that accuracy errors trigger a time-consuming cycle of added work. “If there are inaccuracies on your returns, you get too many notices, you incur penalties and interest, and it triggers more audits. This just takes more time that you don’t have. And saving that time is the reason you outsource in the first place.”

Continuity. Lhoist evaluated providers based on the longevity and expertise of their staff. They also looked at the financial stability of the company itself. “I’ve had the misfortune of working with outsourcing providers with frequent staff turnover, and providers who went bankrupt at a critical time of the month,” warns Joyce. “Continuity of your account team and financial strength of the company are core requirements.”

Summary

Company

- Manufacturer of lime and mineral products for industrial applications
- 5+ entities
- 500+ returns/year

Vertex Solution

- Vertex® Sales & Use Tax Returns Outsourcing

Results

- Outsourced management of returns preparation & filing, payments, and notices
- Less time spent managing compliance, in-house tax staff focuses on more strategic work
- 24/7 visibility into returns workflow and access to archived returns and data

“Ideally, you want your outsourcing provider to operate like an extension of your tax staff. But that requires some effort on the part of the tax department to maintain the relationship.” – Genice Joyce, Tax Manager
Lhoist



Conducting an RFP (continued)

Security. Another aspect of the providers’ service that Lhoist evaluated was security. “We asked about the SSAE-16 certification to ensure the security of our data.”

End-to-End Process. And finally, the Lhoist RFP considered the breadth of services offered by the various providers. “We needed a provider who would manage the payments in addition to the filings,” explains Joyce. “We don’t have the in-house staff to prepare the returns, which means we also don’t have the staff to make copies, stuff envelopes, and handle payments.”

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The Importance of References

In addition to the RFP process, Lhoist knew that customer references were critical when evaluating a service provider. According to Lunk, they spoke to three or four clients of each provider. The shortlist of questions included:

- Why did you choose this outsourcing provider?
- How satisfied are you with turnaround time, accuracy, and support?
- Did you experience a decrease in notices with this provider?
- Describe the transition to this provider (from in-house or from another provider).
- Describe the service level, not only in the beginning but throughout the entire relationship.
- Did you have any negative experience with this provider?
- If you could make the decision over again, would you choose the same provider?

“In the end,” Joyce recalls, “Vertex was not the cheapest, nor were they the most expensive of the providers we evaluated. But we had the most confidence in them,” she states. “And given the opportunity to do it over, I would choose Vertex again.”

The Transition to a New Provider

According to Joyce, the transition to Vertex for their returns outsourcing was “the smoothest outsourcing project I’ve ever undertaken.” She estimates they were up and running within a few weeks. “We were able to provide all the

necessary data very quickly – the account numbers, filing frequencies, legal entities, etc. And the setup time on the Vertex end was extremely fast. We had a dedicated account team who took us through the whole process.”

The Monthly Compliance Cycle

Each month, Lhoist exports the tax data from their SAP system and transfers it to Vertex via a secure online portal. “It works great,” says Joyce. “We get alerts confirming when data files have been downloaded by Vertex, so we know the returns are underway.” Within a few days they receive an alert that the returns are available for approval.

Lunk explains, “We do a quick reconciliation to be sure that the returns are accurately reflecting the data. And periodically, we have a manual adjustment that’s needed.” Once the returns are approved via the online portal, Lhoist receives a funds request for the month’s payments. They arrange the wire transfer, and Vertex handles all the filings and payments with confirmations posted on the portal.

“When we receive notices from various states, we forward those to our Vertex Returns Processor, explains Lunk.

Outsourcing or Co-sourcing?

Genice Joyce, Tax Manager at Lhoist, explains that throughout her career she has managed compliance both in-house and through outsourcing providers. One of her key learnings has been that the client plays a role in the success of the outsourced business model. “You can never outsource a function completely, without overseeing it to some extent. That’s just not good business practice,” Joyce states. “In my experience, outsourcing doesn’t work unless it’s a partnership. You really need to ‘co-source’ with the service provider.”

She explains, “Too many companies think when you outsource something, you no longer need the staff to manage it. But in order to manage an outsourced project well, you must work hand-in-hand with your outsourcing provider. You need to know the data, know what’s going on, and be able to answer questions along the way.”

She emphasizes that this partnership is extremely critical in the early phases of the transition to a new provider. “If you spend time up front discussing the nuances of your business and your industry, they won’t create problems later down the road.”

Joyce continues “Ideally, you want your outsourcing provider to operate like an extension of your tax staff. But that requires some effort on the part of the tax department to maintain the relationship.”

The Monthly Compliance Cycle (continued)

“He contacts the taxing authorities, does the background research, manages the communication, and resolves the issues. And all the communication with the taxing authorities and the final resolutions are posted to the client portal as well so we have complete transparency.”

Joyce summarizes that the outsource provider should feel like an extension of your in-house tax staff. “Our Vertex Returns Processor performs as though he worked here in our office,” states Joyce. “He’s very conscientious, very diligent and very responsive. We really work hand-in-hand and we have great confidence in the process.”

“Don’t be afraid to outsource returns. Freeing up that time to focus on more strategic work is so beneficial. But shop around to find a provider who gives you confidence.”

– Genice Joyce, Tax Manager, Lhoist

Benefits Realized

“The ultimate benefit of outsourcing compliance is time, which is so valuable,” states Joyce. “We’re a small tax department, and like most tax departments, we’ve got more projects than people. The states have gotten more aggressive on audits. And sales tax is only one of the taxes we handle. We also handle state and federal income tax, and property tax.”

Joyce offers encouragement and caution to tax executives who are considering outsourcing sales tax compliance. “Don’t be afraid to outsource returns. Freeing up that time to focus on more strategic work is so beneficial,” she advises. “But understand it’s not just a handoff. You’ll need to work hand-in-hand with the service provider. So shop around to find a provider who gives you confidence.”

About Vertex Managed Services

Since 2007, Vertex has offered outsourcing services for companies who choose to outsource the administrative tasks of compliance in order to re-focus in-house resources on higher value work. A team of experienced professionals provide an extension of your in-house tax staff, focusing on:

- Sales & Use Tax Returns Outsourcing
- Exemption Certificate Outsourcing

About Vertex

Founded in 1978, [Vertex Inc.](#) is the leading provider of corporate tax software and services to automate, integrate, streamline or outsource tax processes for companies of all sizes, from small to medium-sized businesses to global multinationals. Vertex provides solutions for all tax types with industry-specific solutions for retail, communications, hospitality and leasing industries.

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