

Client: The Tremco Group

Solution: Vertex® Sales and Use Tax Returns Outsourcing

Tremco switches outsourcing providers to improve data integrity and gain confidence.



Company Profile

The Tremco Group is a collection of independent subsidiaries owned by RPM International, Inc. that does business in all 50 states. The company manufactures roofing materials, commercial sealants, and waterproofing products. They also provide construction contracting services. The U.S. organization has 4 legal entities – 3 of which are manufacturing and one is a contracting service. Tremco maintains a one-person tax department, and they use Vertex® Indirect Tax *O Series*® integrated with their SAP ERP system to manage sales and use tax calculations. The company files approximately 4,000 sales and use tax returns a year.

The Situation

When it comes to outsourcing returns, some companies make that choice as a reaction to a specific event in their business, such as a merger or acquisition where the tax workload increases overnight. Other companies, however, define outsourcing as part of their strategic business model.

For Tremco, outsourcing was a strategic corporate decision. Tremco was previously part of tire manufacturer BF Goodrich, and was sold to RPM in 1997. At that time, the decision was made not to staff an extensive tax department, but rather to outsource the sales and use tax returns for the various entities. Tremco had been outsourcing sales tax returns to a Big Four firm, as Tax Manager Karen Pollard explains. “When there was a shakeup in the firm’s staff, we lost the service level we had come to expect. We switched to a smaller boutique firm, but shortly thereafter, the same thing happened.”

“There was too much turnover in personnel. Their people were not familiar with our entities, our data, and our returns. So each time we had to re-think what we should expect from an outsourcing provider.”

In a span of ten years, Pollard had switched providers multiple times as changes at each firm resulted in decreasing service levels. Eventually, a tax payment was missed resulting in penalties and interest. And Pollard again went looking for the right partner to handle sales tax compliance.

Vendor Selection

Data Integrity

Late in 2001, Pollard found herself in the vendor evaluation process. And she knew the key issue was data. “The first thing we did was review the data flow in our end-to-end sales tax compliance process” she explains. “We looked at the transaction data from the SAP system, and the tax calculations made by the Vertex *O Series* system, and the data that would be stored and transferred for tax return preparation. We reviewed how each provider was going to use that data to prepare the tax returns – how much manipulation was needed, how much continuity was maintained from start to finish.”

Summary

Company

- Manufacturer of commercial waterproofing/sealants and roofing materials, plus construction contracting
- 4 entities
- Files in returns in 50 states
- 4,000 returns / year
- One-person tax department

Vertex Solution

- Vertex® Sales & Use Tax Returns Outsourcing (since 2012)

Results

- Reliable data integrity and reconciliation
- End-to-end service including data management, returns processing, funds management, credit/notice management
- Increased confidence and trust
- Less time spent managing the process

“The decision came down to data quality, data integrity, and the quality of the tax returns. Plus, the ability of the staff to answer questions.” – Karen Pollard, Tax Manager
Tremco Inc.

Vendor Selection (continued)

Staff Expertise and Customer References

Tremco also looked at the expertise of the returns preparers at each firm. How many years have they been in business? What is the average length of tenure for their staff? They also contacted the providers' customers to discuss their experience – if they ran into any issues, how did the vendor solve the issues? How was their customer service? And also, how accurate were their tax returns? Did the customers have audits? What were the outcomes of those audits?

Funds Management

Funds management was also a key selection criteria. "We interviewed several companies who could not provide funds management services," explains Pollard. "And we realized that was a big part of what we needed. We needed to be sure that funds were processed smoothly without a lot of intervention by our Treasury staff, and that payments went out on time and were verified."

Cost Analysis

The final piece of the decision was a cost analysis of outsourcing returns versus managing them in-house. Tremco evaluated staff costs as well as the risk and cost associated with managing vacation and unplanned sick days when one person has complete responsibility for compliance. "Ultimately," Pollard states, "outsourcing to Vertex proved more cost-effective than hiring in-house staff."

"Vertex made the transition so easy. There's so much information on the portal, everything is very transparent to me. I feel like I'm in complete control."

– Karen Pollard, Tax Manager, Tremco Inc.

Choosing Vertex for Returns Outsourcing

Tremco was looking for a provider who could use the Vertex tax data without a lot of manual intervention, explains Pollard. They were in the midst of implementing Vertex® Indirect Tax *O Series*® as their new tax calculation system, and believed the data transfer from their Vertex calculation system to the Vertex Returns Outsourcing system would prove more reliable.

In addition, Tremco wanted a provider who would learn the nuances of their business in the various states where they operate. But most importantly, Tremco wanted continuity of personnel. "I wanted to work with someone who was on Tremco's business all the time," says Pollard, "someone who could spot if there was an issue, spot if there was a problem. I wanted someone with enough continuity that I could discuss changes in our business and how they were reflected in the tax data."

Returns Outsourcing Provider Must-Have's

- ✓ Professional staff with tax returns experience
- ✓ Dedicated representative for each client
- ✓ Data integration expertise
- ✓ End-to-end service including funds management

The entire vendor evaluation process took about six months. "Ultimately, the decision came down to data quality, data integrity, and the quality of the tax returns. Plus, the expertise of the staff to answer questions," states Pollard. "In the end, we believe Vertex was the best decision for Tremco."

Transition to a New Provider

"While we had some difficulty getting our files from our previous provider, Vertex made the transition easy," says Pollard. Vertex took Tremco's data and past returns, and went live with Tremco returns within a month (after some data integration and testing).

"The onboarding process was excellent," says Pollard. "It's always stressful to change providers but Vertex made it easy and made me feel confident."

Like all Vertex clients, Tremco was assigned a dedicated Returns Processor to manage the data transfer, returns preparation, filings and payments, and resolution of notices each month. According to Pollard, this level of consistency results in a streamlined and reliable compliance process.

Monthly Compliance

Data Transfer & Returns Approval

After the initial onboarding, the monthly process settled into a regular rhythm. "Each month, by the fourth or fifth workday of the month, I transmit the data files. From there, the returns are prepared and provided to me for approval."

Transparency & Efficiency

Tremco uploads their data files each month using a secure online portal. The portal also provides anytime/anywhere visibility into the status of returns and the entire workflow in real-time. Pollard reviews and approves all filings before they're submitted, and monitors all communication between Vertex and the various taxing authorities. Pollard can also access an archive of filed returns for audit needs. "The portal makes it so easy to upload data, see returns, ask questions, check the calendar," says Pollard. "I can see where everything is at any given moment."

Streamlined Payments

Along with providing the monthly returns for approval, Vertex sends an email to Tremco's treasury department to request funds for payment each month. "So even if I'm not available, the request is sent and the funds are transferred and everything stays on track." Since Tremco's Accounts Payable function went paperless, fulfilling all the necessary check requests for tax payments had presented a challenge. Now Tremco provides a single wire transfer directly to their Vertex account. And Vertex manages all payments to the individual taxing jurisdictions.

Managing Notices and Credits

As part of the returns outsourcing service, Vertex manages all notices and credits for Tremco. Pollard uses the online portal to view notice resolution and answer any necessary questions. "Most of the time, that's seamless. Everything is very transparent."

Valuable Reporting

Toward the end of the month Pollard downloads the Reconciliation Reports from the online portal for true-ups. "Those are very, very helpful," says Pollard. Vertex even created a custom report to enable Pollard to identify use tax versus sales tax to ensure proper allocation. Pollard has also started to utilize the Trend Analysis Reports to predict cash flow requirements for the budgeting process.

Improved Confidence

According to Pollard, the greatest value Vertex brings, besides the level of service, is data integrity. "Recently, I had to download all the data and sort it out for an auditor. And, we tied! And that's after sending Vertex 10 to 15 data files each month."

Finally, Pollard offers encouragement to tax executives who currently don't have confidence in their compliance outsourcing. "You tend to stay with the status quo and continue with your existing provider because it seems easier than making a change," she says. "But with the right partner, switching providers is not as horrific as you imagined it would be. And at some point you realize you want a provider who can do what *you* need them to do, not what *they're* going to tell you they'll do. And that is Vertex."

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 in our Chicago-area facility 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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