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Matt Delaney is in the tax automation services department of Global Tax Management Inc., where he specializes in the implementation and support of tax accounting software, with a focus on fully integrated and automated processes.

In this first article of a two-part series, Delaney discusses how modern technology can transform a tax department into a more strategic asset to the business. Part 2 will describe a tax collaboration project at a *Fortune* 200 company and reveal best practices for implementing tax collaboration software.

Technology plays a prominent role in corporate tax departments as more companies implement tax software to reduce risk, improve transparency, and increase efficiency. Despite the proliferation of software tools that support information exchange and manage workflows for tax provision and compliance, some tools simply are still limited. Thus, many corporate tax departments continue to rely on paper and manual processes when collaborating on projects.

Even "paperless" tax departments can collaborate more effectively and efficiently by leveraging current innovative technologies. That's because even though these teams characterize their operating environment as paperless, many still maintain their outdated paper-based processes by saving documents on their desktops or network drives and exchanging data through email. Often teams track sign-off processes manually, list tax calendars on spreadsheets, and pull the same data multiple times in multiple formats for separate uses. Those redundant, time-consuming efforts waste valuable resources, prevent global transparency, and increase the risk of error and noncompliance.

Even worse, many employees who need to share tax information operate in their own silos with tools that do not support automation. They do not use integrated, transparent systems to work collaboratively on documents for year-end close, tax returns, or tax calculations. Without the right technology and the training to leverage it fully, confidential information cannot be efficiently and securely managed, organized, and accessed from different sources.

As tax teams face increased scrutiny from shareholders and executives to add strategic value to the organization, they need to get their houses in order by making significant operational changes — starting with adopting modern technology. Using cloud software to collaborate, for example, can help transform the tax department from a transactional compliance function to a more strategic operation that improves profitability and helps manage costs.

A. Knowing the Right Tool for the Tax Job

A recent survey of 200 U.S. accounting professionals found that more than half (55 percent) could not share some large files, while 39 percent experienced delays in receiving approvals. The main culprit for this inefficiency is email. Large file sizes result in the need for recipients to either print a hard copy or save the file on an unencrypted thumb drive, which limits version control and could be misplaced, putting proprietary information in the wrong hands. Further, sometimes complex data files bounce back when sent through email, making this form of communication totally ineffective.

To address these issues, some tax departments build work-arounds such as complicated spreadsheet models with linked files and built-in reporting. These work well in theory but not in practice. Imagine using complex, linked spreadsheets to maintain records for a common state tax rate change. Even if rates are centrally managed, there is a risk that only some spreadsheets will account for the change, resulting in teams manually searching for the right formulas to update and correct every spreadsheet.

Here are the downsides of using spreadsheets:

- they depend on a single user;
- they lack a reliable audit trail;
- they do not enforce quality workflows;
- there is no version control;
- they are prone to file corruption or slow performance because of the file size; and
- maintenance is decentralized.

B. Tax Departments Don't Know

Why have many tax departments been slow to leverage automated solutions that integrate workflow, promote transparency, reduce risk, and increase collaboration across the business? In some cases, tax departments — intimidated by what they believe to be a complex implementation — simply aren't willing to invest the time to make a change. In other cases, departments are simply unaware of the modern technology that is available and how it can be used to combat the many problems that accompany outdated, inefficient methods of collaboration.

Depending on size and market reach, companies value different capabilities in a collaboration tool. Here are some of the important features:

1. Proven, flexible architecture. A proven, flexible architecture ensures that the platform has the scalability to fit a company's specific tax structure and adapt or grow as a tax department does. Although companies may have similar tax functions, each is organized differently and may use decentralized shared services or other business models at sites that are local or across the globe. An effective collaborative technology system supports companies of any structure.

2. Document management processes. Automated processes allow more efficient accessibility and control of global data. Current collaboration tools store documents and data in folders, use metadata tagging, and provide version control.

3. Security access control. Using security access groups enables a company to restrict access at any level. Collaboration tools must have functionality to restrict users to read, read-write, or have administrative access, as well as to provide custom permissions as needed.

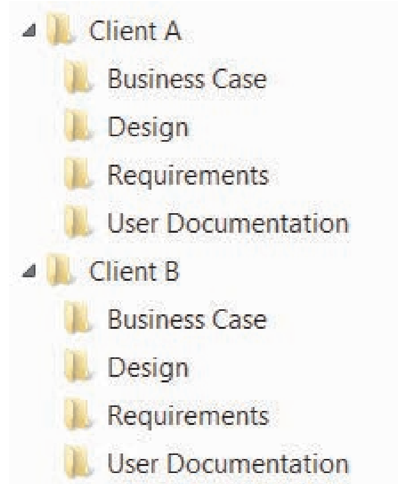
4. Version control. Rather than rely on email to circulate documents, a centralized platform can access the most recent version of a document and keep an audit trail of all versions and team members who made edits. Allowing document owners to return to prior versions of files can reduce reliance on information technology, and the ability to send links to files maintains security and ensures that the most recent version is always used.

5. Metadata tagging. To supplement or eliminate the use of folders for storing and retrieving documents, tagging documents with custom metadata tags and columns streamlines the process. Metadata makes files highly searchable for quick access and analysis.

To view a business case in a traditional folder (Figure 1), users must access Client A and then Client B to retrieve the correct folder. Using metadata (Figure 2), users can easily filter by choosing the document type "business case" to view all business cases for either Client A or Client B. In fewer steps, the metadata structure provides more results and a comprehensive view of all related files.

6. Concurrent editing. Concurrent editing, which is available in many collaboration tools, allows multiple users to edit a document at the same time for

Figure 1. Traditional Folder Structure Used for Organizing Files



enhanced collaboration and efficiency. When necessary, controls can also be used to restrict editing to one user at a time.

7. In-system process management. Instead of maintaining tax calendars in Excel spreadsheets, a collaborative tool automatically tracks all taxes to be filed by jurisdiction throughout the year, providing due dates, reviewers, key performance indicators (KPIs), and sign-offs in one process. In foreign data collection, when tax departments typically use spreadsheets to track activity among teams worldwide, a collaborative tool automates the process by sending a link to files for recipients to review, update, and approve within the system.

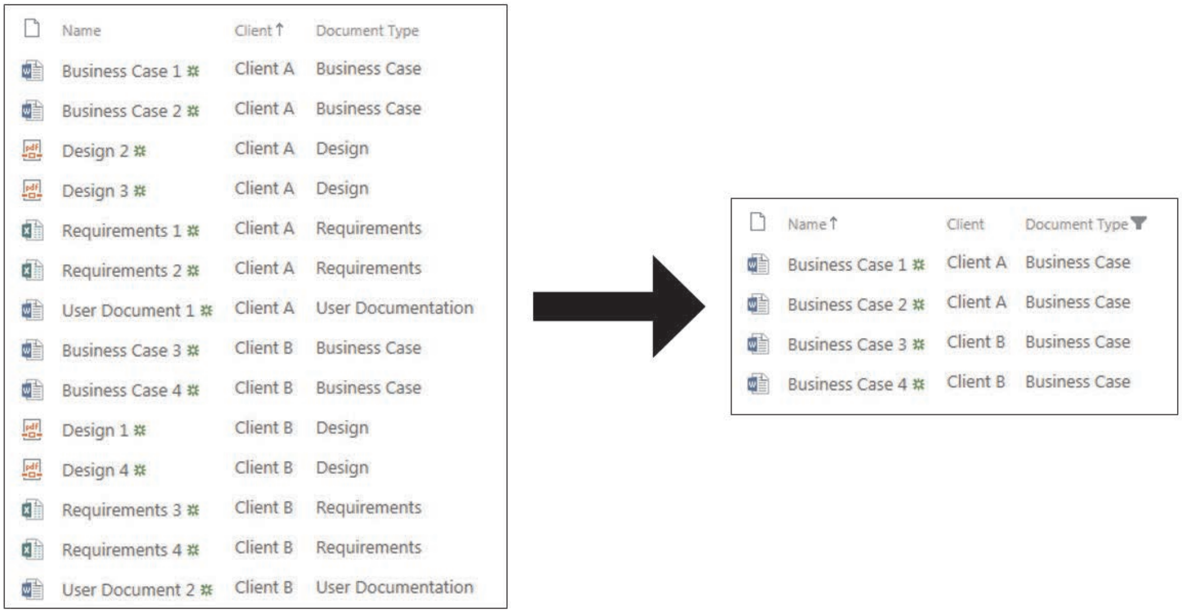
8. Extensive reporting capabilities. These capabilities enable business intelligence and data analytics and provide KPIs on the company's collaboration platform. A dashboard keeps the business running smoothly by reporting on task status and listing start dates for new activities.

9. User-friendly interface. It is important to have a collaboration tool with the necessary features, but if it is difficult to use, it will not be adopted. The best tools are designed for nontechnical users to reduce the learning curve and extend their use throughout the company.

C. In-House Versus the Cloud

Many tax departments used to rely on software that operated on the desktop as a stand-alone application to support their operations. Today modern collaboration tools that enable teams to share and manage information across the company are available both on-site and in the cloud. An on-site solution requires space on servers and the IT department resources to manage it, but at some companies, data must remain on-site for greater control

Figure 2. Metadata Tagging Approach to Organizing Files



over the information and to meet compliance standards. Also, an on-premise system requires a capital expenditure with the purchase of hardware and software licenses, whereas the flexible cloud model entails a monthly operating expense.

As storage requirements increase and IT departments use remote team members, cloud technology becomes an attractive option. A cloud configuration reduces overall cost and the time required from internal IT. Still, corporate data must be migrated to the cloud server owned and maintained by the host. Cloud-based tools enable companies to scale software capabilities as needed, which is a major advantage for tax departments in high-growth companies.

Before making a decision between an on-site or cloud-based solution, companies must consider internal IT processes and recommendations, infrastructure requirements, administrators, data security, features, and costs to choose the option that provides the best return on investment.

D. The Benefits of Automated Tax Collaboration

Using collaboration tools, corporations can establish more productive interactions throughout the company to obtain accurate, complete tax data. The tools create greater visibility into all stages of tax communication and provide processes for individual and team accountability. When documents are securely stored in a shared environment on a common platform and teams are trained to use the platform, there are many advantages for the tax team:

- immediate access to accurate information for successful collaboration on projects;
- sharing and simultaneous editing of files;
- tracking activity without the threat of lost documents;
- centralized workflows and structured document management;
- virtually paperless environment in the cloud;
- individual and group communications sent through links to files;
- in-place version control; and
- automated sign-offs and status tracking.

Collaboration tools also offer greater data security through automated calendars that track compliance and reporting activities, which makes the tax department more proactive. Dashboards can provide daily status checks and access to valuable, automatically generated reports. Advanced collaboration solutions connect the tax department from end to end around the world to provide far-reaching benefits. The tools can be integrated with other enterprise systems, such as enterprise resource planning, finance and income tax, and tax provision. The result is a strategic tax management department that contributes to the achievement of business goals instead of just functioning as a team of isolated number crunchers.

Stay tuned for Part 2 in this series, which will outline a successful tax collaboration technology project that has helped the tax team at Pittsburgh Power and Glass transform into a more strategic business asset for the company. ■