VERTEX

Customer Story

Salt River Project Uses Tax Automation to Increase Efficiency

Powering the Greater Phoenix Area

Salt River Project, or SRP, is a community-based, not-for-profit organization providing affordable water and power to more than 2 million people in central Arizona.

They have to manage untold numbers of tax documents, calculations, and returns—from both the consumer and the use tax side of things. And that means the tax team has a great deal of responsibility, a need for visibility—and a need for the benefits tax automation provides.

Tax Team Challenges

SRP is a customer-centric organization, focused on providing great service for the community's power and water needs. From a use tax perspective, the tax team was playing a review role, rather than taking on a more strategic role that could create additional value for the business. Furthermore, they were engaged in managing manual processes, which opened them up to the risk of human error and also stretched the team's resources, given they also had compliance responsibilities. Prior to partnering with Vertex, SRP was facing the following challenges:

- **A homegrown ERP meant that the tax team had to rely heavily on the IT team for any kind of reporting and pulling information for audits was difficult, which led to the decision to implement SAP, with Vertex as the tax engine.**
  - According to Manuel Ernesto-Mulato, Manager, Corporate Taxes, "We had to rely on IT heavily and didn't have the full visibility into transactions that we have today. We had a lot of manual processes, and we were actually printing reports on continuous form paper, where we would then have to use a highlighter to manually call out the transactions we wanted to analyze. Then we would type notes for the reason why we were making a tax call [adjustment]."
  - Exemption certificates were printed and stored in binders—up to 1,000 certificates were stored at any given time.
- **The tax team needed a better handle on taxability issues—both from the perspective of what they buy and how it's reflected for customers.**
  - At the time, procurement agents had to make tax decisions manually, creating the potential for human error—and requiring the tax team to spend a great deal of time training the procurement agents. They also did not always have visibility into the decision of the procurement agent until after-the-fact. In addition, purchase orders (POs) did not indicate expected tax treatment making projections difficult and increasing the inability to validate invoicing prior to payment.

SRP

Delivering water and power®

Company Profile

- Utilities
- Headquartered in Tempe, AZ
- $4.02 Billion in revenue
- Serves more than 2 million people in central Arizona

Vertex Solutions

- Vertex O Series for SAP (for procurement)
- Vertex Tax Accelerator for SAP ERP
- Vertex PLUS Tools for SAP ERP

ERP

- SAP ECC



- Use tax adjustments also were reviewed manually.
- Tracking thresholds for collecting and filing was time-consuming.

Their goal to organize, gain visibility, mitigate risk, and save SRP money led the team to engage Vertex.

Actions Taken to Realize the Benefits of Automation

- The first step to automation was evolving from a homegrown ERP system to SAP. As part of the SAP implementation, the team launched an integration with Vertex. They chose to use Vertex primarily on the procurement side at first and opted for a phased approach on the supply side.
- By leveraging the Vertex Tax Accelerator for SAP ERP, it's now possible to do the mapping in SAP, providing more visibility into the information being sent from their ERP to Vertex. This also gives the team access to the log files for an unlimited amount of time since they reside in SAP, enabling them to troubleshoot if a transaction didn't behave as expected.
- The combination of Vertex and SAP means when a purchase order is issued, it is stamped to indicate whether tax applies or not, setting better expectations with their suppliers.
- The tax team also implemented flexRFC AP (one of the Vertex PLUS Tools for SAP ERP), which makes it possible to do tax adjustments on a weekly basis, rather than the previous monthly basis. In addition, they're now able to mark the use tax reversal on the invoice to give AP better visibility into the fact that the adjustment has been made, whereas previously only the tax department had that information.

Overall Results

With Vertex, SRP has automated tax decision making and tax policy configuration with real-time visibility from purchase order through invoicing. Thresholds, product taxability, exemption management, and validation processes are predefined. Buyers buy, and tax controls tax. The tax team now focuses on higher value efforts like additional process improvement, overall efficiency and risk mitigation, long-term strategy, and cost accounting. Specifically:



"We can now run reports and pull them basically any time, on demand. We also have more visibility into the logs and can use that information from a troubleshooting perspective."

Manuel Ernesto-Mulato
Manager, Corporate Taxes

- With the implementation of an automated approach, integrating SAP and Vertex, the tax team now focuses on additional process improvement initiatives—which improves overall efficiency and visibility.
- With the SAP integration to Vertex, the tax team configured software makes the tax decision now, rather than members of the SRP team, which has reduced the risk of human error.
- By eliminating the manual use tax review process, use tax adjustments are now completed in the same period. In addition, it's possible to track tax thresholds for collecting and filing within a few clicks, as well as making adjustments prior to payment rather than after the fact—and if required, reporting is a click of a button.
- The combination of SAP front office automation and Vertex makes it possible to look at how suppliers are charging taxes and helps ensure the correct amounts are being charged.
- Vertex provides the control and flexibility for the team to quickly mitigate sudden tax law changes.

- Tax decision modeling is automated with auto-applied rate and rule content, and tax policy changes maintained and applied by tax resources, not procurement.
- Since the SAP/Vertex integration is user-friendly, a coder isn't required to make system configurations, so the tax team is able to better understand what information lives where and why. They're also able to now make changes themselves when needed.
- More reporting visibility is available on-demand, with the tax team now owning this effort with readily available data.
- The implementation of Exemption Certificate Manager makes it easier to track electronic versions of certificates vs. dealing with PDFs. And with all certificates housed in Vertex, the team knows what is going to be expiring and can get ahead of it.



Conclusion

The tax team at SRP now has more independence, easier reporting, greater flexibility, and improved ability to manage exemptions. With improved views, the tax team can do a better job troubleshooting any issues. If there is an error on a transaction, there is greater visibility into the logs, which is further enhanced with the Vertex Accelerator for SAP ERP.

"One of the benefits to the tax department is that it changes your job. Instead of having compliance, spreadsheets, or manual processes filling your entire day, you have processes that pretty much take care of themselves so now you can focus on finding ways to make improvements," concludes Ernesto-Mulato.

SRP estimates that the savings generated by implementing Vertex O Series, Accelerator for SAP, and PLUS Tools for SAP have already paid for the cost of the software.

Note: This case study reflects the experience of one department at SRP, not all management or employees.

About Vertex

Vertex, Inc. is a leading global provider of indirect tax solutions. The Company's mission is to deliver the most trusted tax technology enabling global businesses to transact, comply and grow with confidence. Vertex provides solutions that can be tailored to specific industries for major lines of indirect tax, including sales and consumer use, value added and payroll. Headquartered in North America, and with offices in South America and Europe, Vertex employs over 1,400 professionals and serves companies across the globe.

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