Provision Article – Software Implementation

Title: 5 Challenges (and 5 Tips) for Implementing Tax Provision Software

Author: Steven Markow

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Maybe it’s a little voice that speaks up while you brush your teeth, your sleepy morning mind wandering and wondering:

“Why are we still using Excel to calculate our tax provision?”

This might not be the inner monologue of every person looking into the bathroom mirror, but it’s yours. And that’s because in your line of work, an accurate and beneficial tax provision result, with a driven-down ETR, puts a spring in your step, while appeasing your company’s stakeholders like a bountiful harvest pleases the gods.

Imagine if you tried to achieve the latter with picks and shovels instead of modern farming equipment. It’s quaint, but ultimately means way more work for a worse result.

And as you think these things, are you not using an electric toothbrush? Or some expertly calibrated, charcoal-activated, ergonomically handled tool that coaxes kudos from your dentist each visit?

You know by now that at some point, no matter how nostalgic and comfortable the old ways feel, there comes a time to embrace the new. Even if it is with a sigh and the disappointment that there is never an age when one can rely completely on what one knows to be good, as new good things are always being introduced. And once introduced, they’re impossible to ignore.

You arrive at work and stare at the Excel sheet that once felt as reliable as the plastic-bristled toothbrush your dentist gave you for free after a mediocre visit years ago. You made the change then from the familiar to the cutting edge and never looked back. You feel now that the time has come again, and this time the New has come to claim your tax provision.

Ok, so it’s not much of a hero’s journey, implementing tax provision software. But nevertheless, you know the path ahead of you presents challenges you’d rather not face. Little dragons and ogres of inconvenience that can’t do much but give you a headache, but still, you hesitate to meet them.

Let’s bring these beasts into the light, where you can see just how small they really are. We’ll breakdown the primary challenges of going from an Excel environment to software for the tax provision process, and by the end, as in every great journey, you can return to the place from which you began stronger and wiser than before, with all the treasures you stand to claim for doing so: a more controlled provision environment with the powerful tool of automation, able to produce analytic insights, generate auditor-ready and custom reporting, track all changes made within an organized system, make use of dashboards and visualize KPIs.

Challenge #1: Size and Complexity

How large your company is, and how many departments from which you will need to gather data, determines how hard transitioning to a provision software will be to implement. A Fortune 100 multinational corporation, for a clear example, with hundreds of entities will have a far greater degree of difficulty than a privately held company with just a few domestic entities.

Tip: Don’t let the seemingly daunting upfront task deter you from all the benefits you will receive in the long run from transitioning to a software environment. The problem you’re currently facing is largely due to the uncontrolled and disorganized method you’re currently using. Better to go through the data gathering now rather than in absolute scramble under an audit. And after you’ve made the change to software, you’ll never have to face quite so sprawling a task again.

Challenge #2: The Quality and Accessibility of a Company’s Data

“This has a profound impact on an implementation,” says CrossBorder Solutions’ Senior Tax Manager Michael Cavanaugh. “Typically, when a company is segueing into a provision software environment, it’s because they have been struggling with the provision process for years. The struggle manifests itself in their provision calculations which usually reside in Excel workbooks. The bigger and older the provision workbooks, the poorer the quality of the data. This translates into a more difficult implementation.”

Tip: You can work hand-in-hand with your software vendors to overcome data deficiences. The fact is, bad data has already been causing problems for you, and it will continue to cause it and worse issues should it be ignored, like a cavity. Tax software professionals are used to encountering data in this state of disarray, and as such, they are capable of working with you to put the data in its proper place, this time in a secure and easily accessible environment which you may then return to as long as you use the software. And even if you change your mind, you will return to Excel with higher quality data than when you were sticking to the spreadsheets alone.

Challenge #3: Learning New Software Under a Time-Crunch

Many companies are afraid to dive in to the deep end of a new system when the provision process is normally a time-crunched scramble.

Tip: Use a strategy of parallel runs. This means using your tried and true method for your provision, and then, when it’s all taken care of, redoing it in your new software environment. Eventually, you will become accustomed enough to the new software to use it for the real thing the first time around.

“[Some] recommend completing two consecutive parallels before jettisoning Excel and working solely in the software,” says Cavanaugh. Although, with the right software [link to XBS site??], he says you may need only one parallel before the new system is the primary one.

Challenge #4: Being Weary of Trusting a New Vendor

We get it, passing off your company’s provision system to a virtual stranger is a scary thought, and one which requires a ton of trust you may not have time to build.

Tip: Collaborate with your vendor. A good software vendor will walk you through the software, even have you give it a shot yourself during a demo so you can see just how not-scary it is. By the time you choose to implement the software and begin training, you’ll hit the ground running with a huge head start. So the more hands-on you are throughout the implementation, the smoother and better the implementation will go.

Challenge #5: Your Workpapers May Not Support the Footnote Amounts

When a new vendor team points out there may be some inconsistencies between your books and footnote amounts, it’s not to criticize or judge you. And perhaps even more important, they’re not auditors either. Yet, it may make you feel vulnerable even to think some figures might not align.

Tip: Your vendors are here to help. As a part of the implementation process, the work will be done to reconcile any discrepancies in the current data. “We help the client back into the footnote amounts so that the software ending balance amounts are consistent,” says Cavanaugh. Ultimately, you and your software vendors are on the same team, and your success is the name of the game. Better to let them sort through any pitfalls so the actual auditors don’t have to.