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Software-as-a-Service for the Tax Industry: Considerations When Choosing the Right Vendor

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Software-as-a-Service (SaaS) is a well-established and growing industry. The hosting, support, and maintenance of a commercial software package managed by a service provider can be a good strategy for organizations of all sizes. According to Gartner, there has been a 27 percent increase in SaaS revenue this year, up to \$6.4 billion. Though CRM and content management systems are leading the SaaS growth list, finance and tax options are rising. While major software companies like IBM, Oracle, and SAP have noticed the impressive growth of SaaS solutions and have also entered into the SaaS market, most SaaS companies are small, agile, and innovation-driven companies. Many of these newcomers are creating niche industry solutions that dive deep into industry-specific process and requirements thus making the decision an even easier one for financial executives.

The advantages of deploying a SaaS solution for the tax department are reduced capital expenditure, shorter implementation cycles, enhanced scalability, lower financial risk, and an overall reduction in IT support and costs. The perceived security and service issues have been addressed and users in the tax industry can gain greater tax filing consistency and reliability while reducing processing costs and risk. Web-enabled tax filing backed by real-time updates to tax rates and codes can address the most complicated tax requirements.

If your company is about to invest in commercial tax software, the following are important considerations before narrowing down the list of potential partners:

Is the solution SAS 70 certified?

SAS 70 or the Statement on Auditing Standards No. 70, Service Organizations, is an international auditing standard developed by the American Institute of Certified Public Accounts (AICPA). A SAS 70 Type II report validates a service organization has been through an in-depth audit of their control objectives and control activities, which includes information technology and related processes. These audits demonstrate that a service organization has adequate controls and safeguards in place when they host or process data belonging to their customers.

If the vendor is SaS 70 certified, what type are they?

There are two types of SAS 70 certification:

1. Type I SAS 70 certification shows whether the vendor practices what it preaches when describing their controls and whether the controls were suitably designed to achieve specified control objectives.
2. Type II certification includes the Type I certification and further confirms that the controls are actually effective and achieved. SAS 70 Type II certification results from a rigorous and thorough audit process that assesses the effectiveness of a service organization's operational controls. Type II certification affirms the consistency and reliability of the vendor's processes, systems, and infrastructure provided for its customers' environments.

Is the service infrastructure robust and mature?

Since you will be evaluating much more than software, it is important to understand the vendors' strategy, process, technology, and people. Include questions on the technology stack, architecture, and processes. What does the service provider do to achieve operational excellence internally and for their customers? Are they using the latest hardware technology and supporting systems? Review the vendors' philosophy on innovation and best practices in all areas including industry research and software development, hardware, customer service,

employee development and training, and facilities management. Many intuitive project managers will ask about talent acquisition and retention practices that can directly affect user support and long-term implementation success.

Can the vendor provide adequate support?

Evaluating the service provider's support options is critical. Depending on an organization's needs such as locations, hours and user base knowledge, many of the obvious benefits can be overlooked until contracts have been signed. Support options like 24/7/365 support not only means that the provider is there for all of users at any hour, it also ensures around-the-clock work on any issues that may arise. Also, project managers may overlook the user skill level until important training issues arise.

What are the vendor's SLAs and how have they performed against them?

Take extra time and acquire legal and financial help to review the service level agreement (SLA) – the level of service the SaaS vendor guarantees – and the vendor's historical SLA performance. Even the most impressive technology center, innovative software, and knowledgeable support team needs a thorough examination to make sure you are set up for short and long-term success by confirming service structure, response time, software performance, maintenance, backup and disaster recovery. What are the cancellation policies if SLA guarantees are not met? And as any good project manager knows - check references, references, and references. Ask the tough questions to the provider's customers so there will be no surprises.

What interfaces are included with product's contracted fees?

Since the SaaS solution is hosted, it is important to make sure that interface formats are available and comprehensive for critical business data that resides in other systems. For tax solutions, this includes back office systems of record housing transactions with potential tax implications. Gather details on how the translation is accomplished and how flexible it is. Interfaces need to be both powerful and easy to maintain in order to handle both current and future interfacing requirements.

If you have specific industry needs, research what market interfaces are covered. Examples for Oil & Gas secondary distribution include:

- Brazil's NFe 2.0 Nota Fiscal Electronica
- Price indexes like Argus, Platts, DTN, and OPIS
- Industry formats like PCATS or IATA.

How does the SaaS vendor handle upgrades and development?

SaaS vendors can add new features and functionality to applications, bring those changes to market faster, and deploy them to all customers simultaneously. It is important to understand the planned upgrade schedule for your provider, the upgrade and rollback process, and historical success rates for upgrades. Also inquire about training and on-going support to manage process and computing changes. In addition, depending on the number of needed interfaces, request a clear and concise process, in writing, on how the interfaces will be supported through each upgrade and enhancement.

What are the real TCO and ROI for the solution?

It is important to uncover and understand the total cost of ownership (TCO) for the SaaS solution you are considering. If you are new to SaaS models, make sure to review all contracts including service agreements and discuss details that are often missed such as end-user hardware and peripherals requirements. Most vendors can help you put together a return-on-investment (ROI) worksheet but better yet, discuss ROI models and analytics with their customers and reach out to your network to get an unbiased view of how SaaS is working for others in the same industry or role.

SaaS is a viable option for tax and financial professionals. While there is no single approach to choosing and implementing a SaaS model, it is highly recommended to not leave any leaf unturned when reviewing vendor capabilities. Due care in the evaluation process will help to ensure you achieve the benefits of SaaS, including faster deployment, higher ROI, and significantly decreased operational costs.

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