



Reverse Audit Services

Indirect Tax

tax.kpmg.us



Effectively managing sales and use taxes can be a challenging process – especially for companies that do business in multiple states. Legislation is ever-changing and can be inconsistent across many states. Further, rapid technological evolution can impact what and how companies buy. As a result, in-house tax departments may not have the capacity or the technology to determine whether they are overpaying sales and use tax. In today’s economic environment, overpayments of sales and use taxes can have a profound influence on a company’s operations and financial performance.

KPMG LLP (KPMG) Reverse Audit Services offer clients an organized and efficient review of their purchase or sales transactions to help identify any potential overpayments of sales and use tax. We do this by utilizing highly experienced customized teams who employ a coordinated, consistent approach and our proprietary KPMG Indirect Tax Analytics Platform to help identify and recover sales and use tax overpayments. Our ultimate goal is not limited to assisting our clients in securing refunds, but also includes finding potential approaches to help address the issues which caused the overpayment. Our Reverse Audit Services include identifying and proposing solutions to issues with a client’s systems and processes as well as training personnel in tax issues and leading practices relevant to the company’s operations.

Why KPMG?

KPMG Reverse Audit Services include:

- Customized and client-specific teams
- Recognized leaders in state and industry tax issues
- Organized, efficient, and collaborative processes
- The use of innovative and advanced technology.

Utilizing these strengths, KPMG is able to identify and potentially recover a broad range of refund opportunities while reducing interference to a company’s operations.



Our team

When you engage KPMG to provide your company with reverse audit services, you receive the collective knowledge, experience, and skills of the entire practice, not just those of the professionals in the local market.

A cornerstone of a successful reverse audit engagement is having a reverse audit team with the level of knowledge and experience that is functionally aligned with a company's needs. KPMG Reverse Audit Services are delivered through a combination of national and local resources that are led by the KPMG National Reverse Audit practice team. KPMG customizes its reverse audit delivery teams around the specific needs of a company. We utilize national and local professionals with experience in your company's industry, tax jurisdictions, systems and processes to help ensure that we are bringing the right team to serve our client's reverse audit service needs.

In addition to the core Reverse Audit Practice team, KPMG reverse audit services are supported by a group of nearly 1,000 state and local tax professionals located across the country. The KPMG State and Local Tax (SALT) practice includes the following specialty teams:

Industry specialists: KPMG has a team of professionals devoted to supporting and understanding the unique needs of companies doing business in that industry. Our industry teams include professionals specializing in tax issues for companies in manufacturing, retail, telecommunications, oil and gas, power and utilities, healthcare and life sciences, and others.

Ignition: The KPMG Ignition team accelerates innovation and fuels change by using the latest technology advances. Ignition comprises seasoned professionals with backgrounds in tax, forensics,

data and analytics, visualizations, enterprise and tax technologies, and digital labor. Working in tandem with the reverse audit team, Ignition helps develop creative solutions to our clients' most pressing technical issues.

Ignition also consists of transaction tax systems professionals who assist the reverse audit project teams in coordinating with a company's Information Technology (IT) and tax systems personnel. These KPMG professionals use their knowledge of tax and financial systems to identify and gather data from our clients in an efficient manner. They also collaborate with the project team to identify high-level, system-related issues that may be causing sales and use tax overpayments and make recommendations for potential ways to correct issues that are identified.

State Tax Resource Network (STRN): The STRN is comprised of tax professionals who possess deep, technically diverse experience in all states. This group has developed strong business relationships with state tax administrators and other public officials in their particular state and local tax jurisdictions. They understand the procedural and substantive requirements needed to secure overpayments of sales and use tax.

Washington National Tax (WNT): WNT helps keep KPMG professionals aware of and provides insights related to tax developments across the country and is led by Harley Duncan, who, prior to joining KPMG, held the post of Executive Director of the Federation of Tax Administrators for 20 years. By regularly monitoring the legislative, judicial, and regulatory tax landscape, WNT SALT is able to stay at the forefront of state and local tax—and keep our clients abreast of the changes that can affect their business.



Our process

We use a proprietary, consistent reverse audit process that gives our project teams a flexible framework, process tools, and support resources that provide for a quality, efficient, and timely reverse audit.

The KPMG reverse audit process begins with collaborating with you to establish project goals, including states and issues in scope, establishing communication lines, and identifying members of KPMG and client teams.

Next, we perform a diagnostic review of a company's primary tax-related processes and functions to help obtain an understanding of your systems and processes related to sales and use tax payments. Using proprietary data extraction queries (we have data extraction queries for most major ERP systems and can develop custom queries if necessary), we work together with your IT professionals to deploy the queries and extract only the data needed for the scope of the engagement. Extracted data is typically transferred to KPMG via a secure file transfer protocol (SFTP) site, stored, and later reviewed on secure servers so that data integrity is consistently maintained.

Extracted data is validated against control totals to help ensure completeness and accuracy, then it is loaded to our Indirect Tax Analytics platform. The platform is cloud-based, end-to-end technology that combines elements of machine learning, visualization, and review and comment functionality in an elegantly designed user interface that enables the KPMG reverse audit team to conduct a thorough review of sales and use tax payments quickly and efficiently.

The KPMG Indirect Tax Analytics Platform is comprised of several tabs that assist the project team in progressing through the reverse audit review process. The Project Scoping tab is a dashboard containing multiple analytics that can be used to identify trends, orders of magnitude, and anomalies in the tax data that warrant further review. Simple point-and-click allows users to select filters via the Project Scoping tab to isolate transactions of interest. With the filters selected, users can proceed to the Project Review tab which contains additional detail about the selected transactions, including KPMG machine learning predictions, and can enter comments regarding the exempt nature of the transaction and suggested tax adjustment. The Project Insights tab provides a high-level overview of the amount of tax contained in the dataset and real-time insight into the status of the review.

Clients will have the ability to access the platform's analytic dashboards during the review and can track progress of the KPMG team's review in real time. All findings will be summarized in the Project Scoping visuals at the conclusion of the review. Should you choose to pursue refunds, we compile all forms and documentation required by a taxing jurisdiction to file refund claims. We then work with the tax authorities and vendors to recover potential refunds in a timely and efficient manner. Upon recovery of the refunds, we work with you to identify and implement process improvements to mitigate potential future overpayments.

Our technology

In order to expedite the refund process, our team uses several technology systems and proprietary software applications during the reverse audit process.

The **KPMG Indirect Tax Analytics Platform** is a cloud-based platform comprised of the Insights, Scoping, Review, and Reporting tabs that enables the KPMG reverse audit team to complete a thorough and efficient reverse audit review.

Data Extraction Queries: We have developed proprietary data extraction scripts that extract only the data required for the reverse audit directly from a company's ERP system. The queries can be deployed during off hours and limit the level of effort required from the company's IT and Tax Department resources to gather data.

Secure File Transfer Protocol (SFTP): KPMG utilizes an SFTP site to securely transfer datasets and files that are too large to transfer by conventional methods.

Tax Intelligence Solution: Tax Intelligence Solution is a data and analytics tax solution that takes complex and large datasets and makes them easier to access, understand, and communicate. In addition, it can help reveal key stats, patterns, trends, and anomalies hidden in the data.

Alteryx: Reverse audit professionals are skilled in the use of Alteryx software for data blending and advanced analytics.

Machine learning (ML): ML is a field of computer science that uses artificial intelligence and statistical analysis to give computers the ability to "learn" and assist in decision making. In the context of a reverse audit, we train the software to evaluate a data set previously reviewed by a professional then determine the taxability of each transaction in a new data set based on common data elements between the two data sets. Leveraging ML significantly mitigates the risk of missing any opportunities.

Robotic process automation (RPA): RPA uses software to replicate processes and remove manual labor from the process. For example, RPA can be used to automate the electronic invoice image retrieval process. RPA will automatically retrieve necessary electronic invoice images from a company's imaging system by simulating user actions such as data entry and point-and-click. RPA processes can be run during off hours when there is less demand on systems, helping to save a significant amount of time and resources.



Contact us

Rick Blattner
Principal, Tax
T: 312-665-1097
E: rblattner@kpmg.com

Justin Gruba
Senior Manager, Tax
T: 206-913-4481
E: justingruba@kpmg.com

tax.kpmg.us

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