KPMG

MuleSoft

Gapless integration in procurement and tax systems

The intricacies of handling taxes present huge compliance and audit risks to businesses across the Procure-to-Pay (P2P) process. Overpaying or underpaying taxes can have negative outcomes in terms of liabilities, penalties imposed, cash flow, and vendor relationships. To avoid these risks, taxes must be accurately calculated, collected, reported, and paid during the purchasing process. The right technology, one that integrates procurement and tax, can efficiently deliver that accuracy.

Integrating related systems

In addition to making it easy to procure and pay for goods and services across an organization, procurement requires the validation of vendor-charged tax, and in some instances, to self-assess Consumer's Use tax. The procurement and tax systems are closely related and should be integrated with a "handshake" at both the technology (computer network level) and data translation level. In short, the supplier-entered tax needs to match the tax calculated by your tax engine. When the two are in alignment, the outcome is greater efficiency as a result of streamlining and automation, and reduced risk exposure from the over/under payment of taxes.

What's missing in the standard functionality of procurement systems

— Standard connectors to third-party tax engines often are limited to validating vendor-charged tax on invoices only

— Current integrations are a "Black Box" with little flexibility which often means customization is needed to meet your procurement tax requirements

— No estimated tax calculation on requisitions and purchase orders

— No ability to drive Consumer's Use tax accruals in OK2PAY or backend ERP

— Limited flexibility in managing and maintaining acceptable tax tolerance levels

KPMG MuleSoft approach

When utilizing MuleSoft and our API-led integration solution, communications between leading third-party procurement systems and tax engines are efficient and extensive.

Custom API-enabled integrations between those systems center on three critical connections: 1) At the point of a purchase requisition to derive an estimated tax; 2) At the point of a purchase order change, to evaluate the tax implications of that change and the possible revision of the estimated tax; and 3) At the point of invoice, to validate the amount of tax that the vendor has charged, or if necessary, drive a Consumer's Use tax accrual.

In all instances, APIs allow purchase order and invoice data from a source to be translated into data that is understood by the tax system and vice versa.

> *"The necessity for accuracy in procurement and tax processes is clear. Most organizations store this data in over 900 different applications however, with less than 1/3 being integrated. In this all-digital, work from anywhere world, it's never been more important to sense and respond to changing market dynamics—with speed, agility, and efficiency. That's why we are thrilled to partner with KPMG to deliver market-leading procurement and tax solutions."*
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> — Dan McAllister, SVP Global Alliances & Channels, MuleSoft

An example of integrated communication

When an invoice is received from the supplier, it's entered in the procurement system for processing. The tax engine calculates the recommended tax based on several factors including what is being purchased, how it is being used, and the delivery address of the product or services. The estimated tax is sent back to the procurement system. The procurement system compares the supplier-entered tax amount on the invoice against the estimated tax calculated by the tax engine to determine if the tax is within tolerance. If within the tolerance limit, the invoice proceeds to payment. If the invoice is out of the tolerance limit, the integration triggers a failure, and the invoice is sent to Accounts Payable for further review.

Benefits of our MuleSoft API-Led integration approach

— Easily customizable to support your business. You design and build what data goes where.

— Invoices can be disputed for tax reasons before the invoice is approved

— Amounts paid out of the procurement solution will now match amounts in the ERP

— Limits the need to leverage the native tax configuration in the procurement solution, thus reducing maintenance by IT or tax professionals within the application

— Allows the tax team to control the tax function, reducing the required knowledge of buyers and Accounts Payable staff

— Builds in controls for supplier requirements for tax (registrations, value-added tax, sales tax, use tax)

— API-enabled integrations are extensible; yet simple, secure, fast, and reliable—complete with data mapping, error handling, and process management.

Why KPMG

Tax capabilities are key to recognizing the full value of a procurement solution. KPMG leverages APIs powered by MuleSoft to help you realize your full investment by streamlining and automating the processes around procurement and taxes. We draw upon extensive sector knowledge and deep implementation experience. Our market-leading solution has been tested across multiple global clients and industries.

We have the specialized knowledge and experience in procurement, tax, and MuleSoft's API-Led technology to bring a tightly integrated solution to our clients. This allows you to operate your procurement and tax processes with ease and confidence.

Contact us

For more information on how KPMG and MuleSoft can help your organization, please contact:

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