Taking back control with advanced technology

*Adoption of a powerful exemption certificate management solution proves to be a force of nature in mitigating audit risk, reducing penalties, and streamlining processes for **Northern Tool + Equipment***

Northern Tool + Equipment (NTE) didn't become a nationally known business by avoiding change. Always open to improving processes, the company explored advanced cloud-based technology to help automate the overwhelming job of managing thousands of tax exemption certificates.

"We starting looking for a solution in 2009," said Greg Moosbrugger, tax analyst for Northern Tool + Equipment. "We were paper-based at the time and the process of locating a valid customer exemption was exceptionally challenging."

Before adopting Avalara's CertCapture, the leading online exemption certificate management solution, NTE maintained hard-copy certificates and stored them in rows of filing cabinets, boxes stacked on pallets, and at offsite storage.

"Paper files were extremely difficult to manage. Tax exempt certificates would process through multiple departments before arriving in the tax department, which led to certificates being misplaced or lost altogether. This was a contributing factor to assessments during audit," Moosbrugger explained.

According to Moosbrugger and tax manager at NTE, Jason Davenport, the audit process was long and arduous. It was

not uncommon for an audit to take several months to complete.

Moosbrugger explained. "We spent days looking for certificates and pulling paperwork, calling and mailing customers in an effort to obtain a missing certificate, and waiting for customer responses."

Davenport added, "As a result of the missing certificates, we were held liable for the sales tax and assessed penalties and interest."

At the close of NTE's 2009 audits, Moosbrugger was able to quantify costs in relation to staff hours and penalties. He then compared this to what it would cost to implement Avalara's CertCapture. He said, "The return on investment was clear and obvious. Implementing CertCapture was far more cost effective. Taking back control of the process by automating tasks and moving online would save us hundreds of staff hours and create additional efficiencies."

From painfully paper-heavy to pain-free automation

In 2010, the transition from a paper-heavy to a pain-free automated process began. By 2011, NTE has fully implemented CertCapture. The transition freed staff from a time-intensive,

Stats at a glance:

Client Profile:
A family-based multi-channel tool and equipment business that offers a wide selection of products from consumer goods to industrial and construction equipment for do-it-yourselfers, contractors, and professional shops.

Headquarters Location:
Burnsville, MN

Number of Locations:
85+ stores in 18 states across the U.S.

months-long paper-based audit process, where it wasn't uncommon to have "auditors in waiting."

Davenport explained, "We often had to sign waivers to extend audits due to the amount of time necessary to locate exemption certificates. Because of the bottleneck created to find exemption certificates, the start of a new audit was delayed two to three months."

Having transitioned the exempt certificates process to an online, automated environment, NTE is back in control. Certificates are digitally stored in a central repository where staff can easily pull reports, monitor expired certificates, add information on the fly, and manage thousands of certificates with ease.

"We no longer have to wait for each store to send in paper certs. Information is entered in real-time and available immediately, putting us back in control of the process instead of waiting for information to filter in," said Moosbrugger. "With data immediately available, I can pull 300-400 certificates in four hours or less–that's down from months of work. CertCapture has made the audit process tremendously easier and far less painful."

On a weekly basis, NTE processes approximately 3,000 exempt transactions and receives 500-700 new exemption certificates. "Without CertCapture, managing all that paper would be nearly impossible," said Moosbrugger.

Not only has NTE streamlined the audit process, but the company has also experienced a significant reduction in audit assessments. Davenport stated, "We just closed two separate state audits. As a result of CertCapture, no assessments regarding exemption certificates were levied against NTE. This is due to an organized, automated process and working within CertCapture."

Technology breeds happier staff and customers

Mitigating audit risk and penalties is certainly something to celebrate, but NTE's transition to CertCapture and an electronic, streamlined process also made for happier employees and customers.

"Prior to CertCapture, customers who would purchase items tax exempt were required to manually complete an exemption certificate each time they visited a store. This was an inefficient process for employees and customers. Because of CertCapture, the amount of time it takes to process an exempt customer at retail has been reduced by 90 percent. Staff, once burdened with a slow paper-based process, can now quickly look up existing

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customer exemption certificates in the system or enter new information on the fly. This resulted in a significant increase in customer satisfaction, and resources are now reallocated to better serve the customer," Davenport explained.

Customers also love the ease of certificate completion. In a digitally driven world, this is how most people want to work.

"We have a kiosk where customers can quickly complete exempt certificates that automatically update in our system, or they can go online whenever they need to. It's much more efficient than having our customers complete paper documents," Davenport said.

Customers also appreciate CertCapture's intuitive interface. "It's so easy. Avalara built the system to lead customers through the process with a question-and-answer style. It was clear that a lot of thought went into design of the system," Moosbrugger said.

Moosbrugger added, "And many customers shop several of our store locations. Before we automated the system, these folks would have to complete certificates at each store. Now, once they've completed a certificate, it's accessible in the system for all stores in that state. Less work for our customers is always good."

Final words...

The core value to Northern Tool + Equipment has been regaining control of a long-time uncontrollable process. The once paper-heavy process that relied on manual follow-through from multiple sources is no more. Today, NTE has full control of how certificate data flows into the system and how it is managed.

"Control is the key," Davenport stated. "Now that we are in the driver's seat, managing information is far more efficient."

By automating the process, the company has experienced a significant reduction in staff hours in managing certificates and complying with audits. The tax team will also attest to a significant drop in assessments, penalties, and interest related to missing certificates. And finally, the ease of certificate creation has made for much happier staff and customers.

"It's been a great experience across the board from preparing for audits to day-to-day management of certs," said Moosbrugger. "We couldn't be happier with CertCapture and would recommend it to anyone who asked."

CertCapture is at the center of NTE's online certification management process and has proved to be a force of nature in solving the many challenges the company faced prior to its transition from manual to automated. ■