TOPIA

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Case Study:

Protecting global firms against withholding audits with Topia

The Challenge

Although AllianceBernstein (AB) is headquartered in New York City, employees also work in dozens of other offices across the United States. While there were procedures in place to withhold for non-resident commuters across state lines, the company had neither the systems nor manpower to address the exposure created by non-resident employees who travel to New York. These individuals created tax exposure with every trip they made to headquarters.

In mid-2015, they received every company's worst nightmare - notice of a multi-year audit from the New York State Department of Taxation and Finance. Withholding audits have been on the rise for the past several years, as the Department of Taxation and Finance has invested in technology to more efficiently identify and conduct audits. From 2014 to 2015 New York alone collected 50% more dollars from withholding audits. Audits are one of the few parts of the American court system where the burden of proof lies on the accused. Companies that receive an assessment must provide proof that the assessment is flawed.

The Department of Taxation and Finance calculated a multi-million-dollar assessment using sampling techniques and extrapolation that did not reasonably reflect true travel patterns. AB's Director of Controller Services, Jim Walsh, led the company's effort to demonstrate that New York State's assessment was inflated and unfair. The auditors established an error rate by focusing on top earners who traveled to New York during a sample year and who were not withheld in New York. The Department then extrapolated the error rate across multiple years and across the broad base of employees. Walsh spotted a number of issues with this approach that led him to believe that there was an overstatement of liability in the Department's calculations. Late arrivals, early departures, delays in cab service billing receipts – all of these factors contributed to an inaccurate day count. However, the company still had to prove it.

In the case of payroll withholding audits and other audits involving non-resident workers, defending against an audit often involves proving how many days employees spent in specific tax jurisdictions. To support their case, the company hired an outside accounting firm to manually comb through travel and expense records from the sample year. By the end of the effort, the team had accumulated 20, 5-inch thick binders of

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About AllianceBernstein

AllianceBernstein is a global asset management firm providing investment management and research services worldwide to institutional, high-net-worth, and retail investors. Learn more at www.alliancebernstein.com.

- Headquartered in New York
- Locations in more than 20 countries
- 3,500+ global employees
- $550+ Billion in assets under management

documentation that was used to support an accurate day count of New York work days by each employee. The grueling process of fighting the audit took more than 8 months and was a significant drain on the organization's time and resources.

At first, the company used just Travel and Expense data from their web-based T&E system to determine how many days employees spent in New York. But they soon realized that expense data alone gave a skewed snapshot of where people were spending time. "Uber is based in California and they always bill from California, so the data incorrectly indicated that people were in California when in fact they weren't," they explained. Going through and counting days manually was time-consuming.

Other relevant data was housed in multiple systems and aggregating them for analysis was a challenge. While expense records, including meals, were in Infor's Extensity expense management system, the majority of the company's travel bookings went through an outside travel management company.

After painstakingly assembling the proof that the original assessment was flawed, Walsh was able to secure a more favorable audit outcome for the company. This painful process highlighted their need to put in place a process to ensure compliance moving forward. He realized that a manual process was simply not feasible - they needed a technology solution to analyze employee business travel and manage multi-jurisdiction compliance moving forward.

The Solution

The company needed a streamlined solution and they needed it quickly, but there weren't many options on the market that met their needs. They recognized that a manual solution using the data residing in their systems wouldn't be a reliable or sustainable solution. Given the limited bandwidth, a time-consuming manual solution simply wasn't feasible. Learning of its successful track record in leveraging technology to manage multi-jurisdiction exposures and its position as a thought leader in the space, the company turned to Topia Compass.

"When the head of our payroll saw the solution he brought the opportunity to me and felt very excited about it," said Walsh. He recognized that Topia was unique in providing the technology solution the company needed. "We didn't really find another player in the market that offered a solution as elegant as Topia Compass."

Recognizing the urgency of the situation, Topia's customer success team provided support and helped put in place a solution that met the company's needs. "We would not have implemented in the timeframe that we did or with the high quality that we did without Topia's very hands-on approach," said Walsh. "They were with us every step of the way."
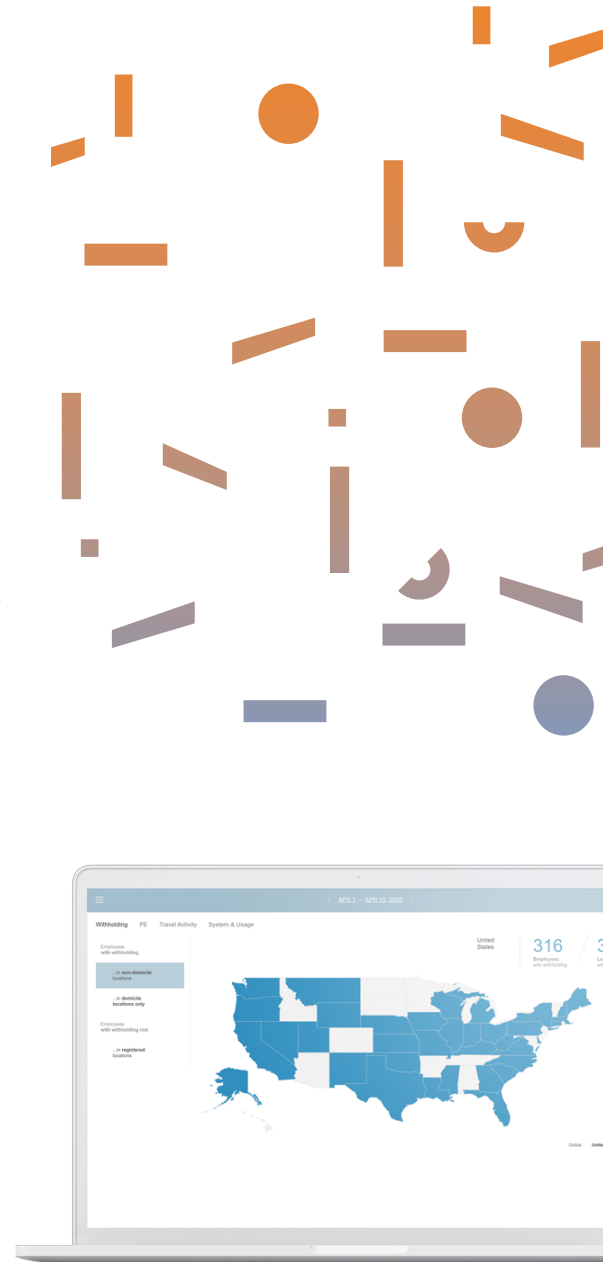
In the definition and implementation phases of the project, the company brought together several groups. "We had representatives from Accounts Payable, Travel, Payroll, IT, and Tax," said Walsh. Additionally, Human Resources had to be looped in since payroll tax withholding affects employees' Net Pay. "We needed to balance the requirement to minimize risk with having a solution that is easy to understand and communicate to employees, and that broadly accomplishes the result," said Walsh. "Topia Compass gave us transparency and visibility into the travel patterns of our employees, as well as a tool to help the employees understand how we were determining withholding."

First, Topia analyzed historic data to help the company build a map of employee travel from previous years. Based on those learnings, the company defined the policies that would be put in place, including how to identify which employees would be part of the program and the relevant jurisdictions and withholding thresholds. Topia's analysis provided data to ensure that multiple stakeholders within the company were on the same page and implemented Topia Compass as an ongoing system to identify and manage payroll withholding risks.

Using Topia's analysis of historic data, the company was able to identify the states in which business travelers were creating substantial risk. "When Topia did the stratification for us we could see that some states had far greater exposure," said Walsh. While many states had small levels of risk, Topia Compass made it easy for the company to monitor business travel across every state. If risk in a state were to rise substantially, AB has timely visibility into it, and the ability to adjust accordingly. "If we decide at some point we want to manage risk in additional jurisdictions as well, we already have all the data and the solution in place," explained Walsh.

As the company rolled out the solution to employees, Topia provided resources and support to ensure smooth onboarding. From customized emails to training webinars, Topia provided templates and best practices to support the company's efforts. "We had a very clear game plan before we implemented, in terms of communication and roll-out," said Walsh. "Communication to employees was key. They had to be made aware why the company was implementing the new policy and what would be the implication of that for employees. Together with Topia, we developed a training program where we took 150 people through that training to socialize that idea."
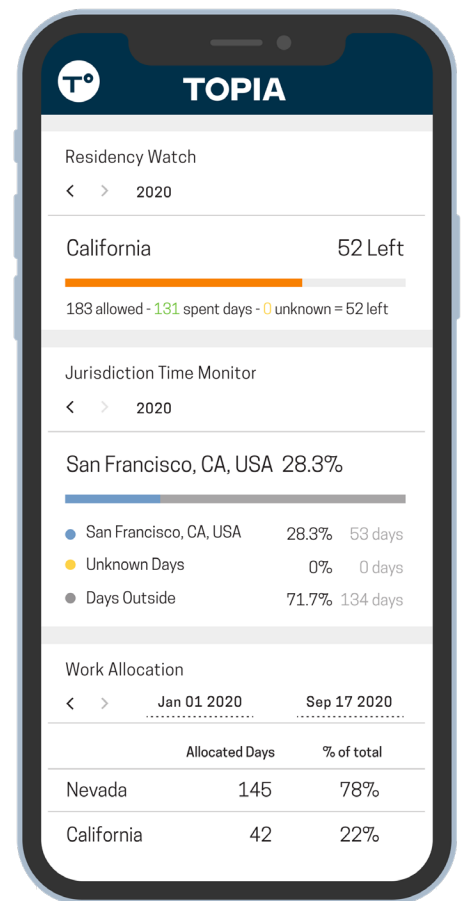
The Results

Using Topia Compass, AllianceBernstein can easily withhold taxes for non-resident workers in select states where employees have crossed thresholds. Every two weeks, Topia Compass automatically takes in the relevant data from the travel and expense systems and does the relevant withholding calculations. Topia Compass then automatically sends a summary of days spent in different jurisdictions to employees in the program, which each employee can confirm or update. Payroll then downloads the data and uses it to do the proper withholding. "With Topia Compass in place, we are significantly minimizing exposure and doing it with far less pain than if we had to do this manually," said Walsh.

Dashboards provide full visibility into travel, while downloadable reports give the payroll team exactly what they need to do their job effectively. "I couldn't be happier," said Walsh. "We have a solution that is making us compliant. We would not have been able to solve this for ourselves."

About Topia

Topia is the leader in Global Talent Mobility. We empower enterprise HR teams to deploy, manage and engage employees anywhere in the world. The Topia Global Talent Mobility platform enables businesses to deliver mobility as part of a broader talent and business strategy with enhanced employee experiences. This drives competitive advantage by ensuring the right people in the right place at the right time. The Topia platform automates the entire global talent mobility process, from scenario-based planning, compliance risk management, expat payroll, reporting and more. Topia powers global talent mobility programs for many of the world's most trusted brands, including Schneider Electric, Dell, Veolia, Equinor, AXA. Topia has raised over $100M from New Enterprise Associates (now NewView Capital), Notion Capital and others, and is a global company with offices throughout the Americas and EMEA.

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