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Outsourcing: Mitigating Common Pitfalls

Challenges Reported by CPA Firms

Poor / No communication channel	Continuity of resources	Lack of technical training of the remote team
"Tried it for a few weeks, didn't work out so we opted out of the engagement"	Not being able to obtain 7216 consent	Delayed Deliverables or too many follow ups
Inconsistent Quality	Poor internet / technology related issues	Internal Buy-in

"We went by the book, yet the quality received was very poor with no scope of improvement, we have since then, dropped the idea to outsource."

ITR   Ranked Consistently in **International Tax Review's World Tax** and **World Transfer Pricing** Guides (2017-2023)

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Mitigating Common Pitfalls

TIMELY PLANNING
Plan in advance, set milestones for O/S SP to understand your needs and provide qualified resources.

"DID NOT GO AS WE WANTED IT"
Appoint a POC (Engagement Champion) to drive the project and help move work between teams and resolve any issues.

COMPLEX PROJECTS REMAINED INHOUSE
Start outsourcing small projects e.g., easy tax returns or Substantive testing in Audits and then move towards medium and complex engagements areas e.g., Consolidated, Multi-State returns, full scope sections of audits thereby.

ROTATIONAL STAFF
Find ways to keep staff occupied throughout the year. Take differential offseason rates and engage teams in other tax work or audit areas e.g. 990s, international forms, gross up calculations or extensions, Internal audits, roll forwards. Accounting generally ensures daily utilization.

DELAYED DELIVERABLES
Discuss dashboard reporting functionality/project trackers updated by the concerned POC / Team. Use Smartsheets / XCM software etc.

Mitigating Common Pitfalls

LACK of COMMUNICATION
Ensure weekly feedback calls, staff to directly reach out for any open points and review notes, data requests and share updates or queries for client. Use Zoom, Webex, Teams etc.

TOO MANY FOLLOWUPS
Usually, 24-to-48-hour turnaround. Provide estimate budget of hours. Staff provides a daily log of returns or follow up questions in hand on project tracker.

INCONSISTENT QUALITY
Work with a dedicated team, include team members in internal training, and work like an extension of the team. Add a reviewer staff (5-8 yr exp) to reduce the burden at your end.

LOT of REWORK
Staff should be experienced EA, CPA, MBA or lateral hires from Big 4 or similar experience. CPA qualification can be obtained from India without travelling to US or UAE.

PROVIDE LIVE/RECORDED TRAINING

around navigating files, work papers, and checking in/out of client files in your environment for the staff to understand internal processes.

Mitigating Common Pitfalls

When going by the book doesn't go as planned:
- Try speaking with members within the alliance that provide similar services.
- Seek references of alliance members.

Prepare a test **scenario / send Pilot projects** to evaluate quality and extent of training needs - send a prior year return or prior year audit workpapers as a dummy to prepare. Ensure Pilot is conducted in similar environment with PY files and software access

Use evaluation metrics to measure learning curve - turnaround time, number of returns etc.

Regular evaluation of Staff
Enroll the staff on to your evaluation program and give feedback regularly for them to learn and improve

Background and Involvement
Align the staff to your internal planning meetings to ensure they understand their requirements and responsibilities in advance.
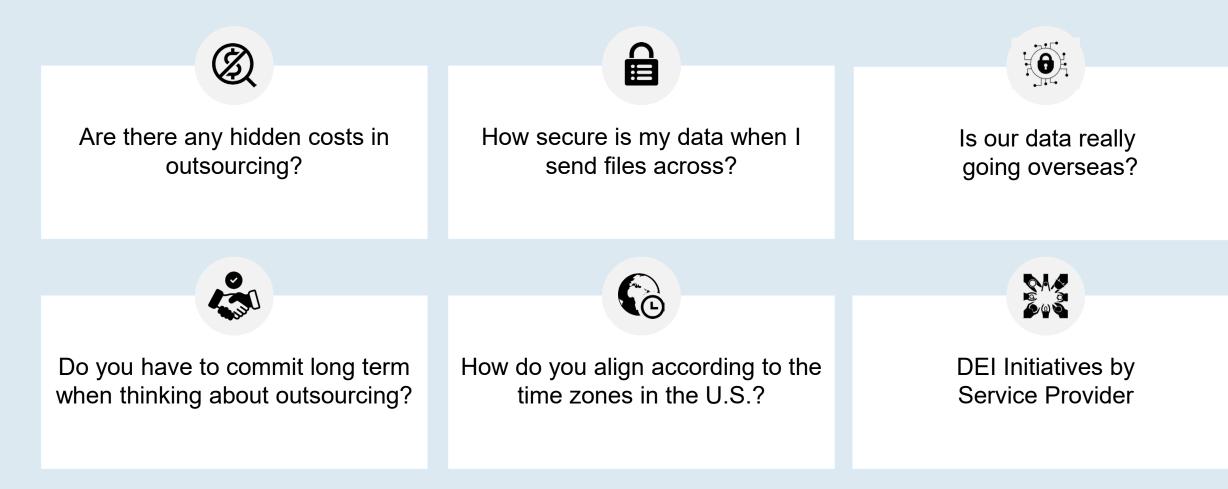
What to Keep in Mind when Outsourcing?

PLAN IN ADVANCE
Conduct management meetings, and proposals, contact firms' months in advance etc.

OUTSOURCING as a STRATEGIC DECISION
Not as a solution to manage overflow of work.

LONG-TERM COMMITMENT
Think about building and investing time and commitment towards a long-term objective.

IT PROCESS in START
Discuss IP, system requirements, Setup and test creds etc.

DEDICATED RESOURCE PLANNING
Focus on continuity and expansion of the team.

GEOGRAPHIC LOCATION
Sufficient time overlap to conduct meetings/feedback calls.

Choosing the Right Service Partner

Are there any hidden costs in outsourcing?

How secure is my data when I send files across?

Is our data really going overseas?

Do you have to commit long term when thinking about outsourcing?

How do you align according to the time zones in the U.S.?

DEI Initiatives by Service Provider

Choosing the Right Service Partner

Are there any hidden costs in outsourcing?

How can we ensure quality from offshore service providers?

How much should we rely on outsourcing?

Does firm size matter?

Concerns on continuity of resources?

Attrition and losing resources? How do you address them?

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Key Learnings for Success

Success is seen in building customized processes / checklists to best suit client needs

Treat your offshore team as an extension of your team

Don't hope for Outsourcing to magically resolve your staffing issues, provide time to team to fall in line with expectations

Appreciations and Feedbacks go long way and help keeping staff motivated

Understand culture, give time to staff to adapt to your expectations, internal processes and work culture

Mutual participation at initial stages, conducting trainings on processes, seek challenges faced by the offshore team

Provide recorded / live trainings to the team on processes, understand initial challenges and provide feedback.

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