



SAS 70 AND SABRIX TAX RESEARCH

Assurance and advantage

CONTENTS

Introduction.....	2
SAS 70 101	2
Sabrix Tax Research and SAS 70-certified Control Environment	3
Benefits to Sabrix Customers	4
About Sabrix	4

INTRODUCTION

SAS 70 is an accounting standard designed to report on a third-party service provider's operational controls and their effectiveness. Established as a standard in 1992 by the American Institute of Certified Public Accountants (AICPA), SAS 70 is the subject of increased interest in the face of regulatory mandates such as Sarbanes-Oxley and the growing popularity of business process outsourcing and Software-as-a-Service (SaaS).

Building a compliance infrastructure is a lot like constructing a building. It's built from the ground up with logical beams and bricks, and you have to be prepared to prove that the entire edifice and each of its components complies with local building codes. But that doesn't mean you have to hand-build each double-paned, shatter-proof window or door - you buy them pre-built and ready to install with the manufacturer's assurance that they are constructed properly and to specifications. SAS 70 provides this kind of reasonable assurance and convenience.

As a service provider in the realm of transaction tax management, Sabrix embraces SAS 70 validation. We view SAS 70 certification not just as a stamp of approval on our internal controls, but also as an extension of the value we bring to our customers. Like Sabrix's tax research and management services, SAS 70 validation is about reducing audit costs and removing a significant administrative burden from customers so they are free to focus on their core business, assured of the quality of the services they are receiving.

This paper discusses the particular significance of SAS 70 validation of the Sabrix Tax Research service and how customers can leverage this certification to their advantage.

SAS 70 101

SAS 70 – aka the Statement on Auditing Standards No. 70, Service Organizations – is an internationally accepted standard for demonstrating that a company's outside service providers possess sufficient internal controls. In today's rigorous regulatory environment, you can outsource a business process, but you can't abdicate responsibility for control over that process. A SAS 70 audit provides visibility into a service provider's controls and enables you to demonstrate their existence and effectiveness in order to comply with regulations. Companies that should engage in SAS 70 audits include Application Service Providers (ASPs); SaaS providers; payroll, benefits, credit and claims processors; and other outsourcers.

A SAS 70 audit, or examination, is conducted by an independent auditor who then issues an unqualified opinion as to the adequacy, or reasonable assurance, of the service provider's controls. The resulting "Service Auditors Report" can then be used by a customer's financial auditors for compliance purposes. There are two types of SAS 70 reports:

- **Type I report** - Focuses on the service provider's relevant controls and their objectives. The report details the controls and whether they are in operation at a given point, and the auditor delivers an opinion as to whether the provider's description of its controls is fairly presented, and whether their design is suitable for meeting the stated objectives.
- **Type II report** - Builds on the Type I report to also include an assessment of the effectiveness of the controls over a period of time, which is recommended to be no less than six months. Such a report can be used to provide evidence of the effectiveness of the controls in meeting stated objectives during the specified period.

SAS 70 validation is about reducing audit costs and removing a significant administrative burden from customers.

In short, a Type I audit details controls and judges their suitability while a Type II audit tests their effectiveness. Both types of audits are usually performed at least once a year, and can be performed at any time during the year.

Type II audits are typically engaged in when transactions, particularly monetary transactions, are handled in an outsourced environment such as that represented by ASPs and online merchants. On the other hand, tax research service providers do not engage in monetary transactions and thus a Type I audit is typically deemed appropriate to formally establish the scope and strength of the provider's controls.

SABRIX TAX RESEARCH AND SAS 70-CERTIFIED CONTROL ENVIRONMENT

The Sabrix Tax Research service is comprised of CPAs; tax experts in sales, use, and value-added tax; and legal experts. These experts continually monitor and analyze tax law across more than 13,253 tax jurisdictions in 170 countries to help drive comprehensive tax compliance. In the US alone, this includes more than 44,000 date-specific sales, seller's use, consumer's use and rental tax rates. The Sabrix Tax Research team delivers monthly, as well as "as-needed" updates on all U.S. and international tax rates, rules and complex taxation that automatically integrate with the Sabrix Application Suite enterprise software. It is an immense undertaking and its accuracy, reliability, breadth, timeliness, and economy of scale is core to Sabrix's value.

For an individual enterprise to build and maintain such expertise, accuracy and scope in house would be an expensive proposition. And **to continually validate the controls around such in house capabilities would be extremely time-consuming and burdensome. Sabrix takes on this burden while also maintaining SAS 70 certification** as we consider it our obligation to maintain a robust control environment and to provide transparency into it.

The Service Auditor's Report for Sabrix Tax Research encompasses an overview of the Sabrix Solution and Sabrix Tax Research in addition to a description of Sabrix's Operating Principles. It provides detailed control descriptions and objectives and describes the audit procedures that were used to evaluate their suitability and robustness vis a vis those goals.

Sabrix Operating Principles include:

- Integrity and capability
- Market focus
- Ownership of tasks, programs and projects
- Decisive actions
- Responsiveness to every request
- Accountability
- Results oriented
- Competitive Edge
- Innovation through learning
- Respect for the individual

Sabrix Tax Research Control Objective:

- Controls over Sabrix Tax Research Operations provide reasonable assurance that information is accurate, complete, and timely.

To continually validate the controls around such in house capabilities would be extremely time-consuming and burdensome. Sabrix takes on this burden by maintaining SAS 70 certification.

BENEFITS TO SABRIX CUSTOMERS

Sabrix Tax Research's SAS 70 opinion is a validation of Sabrix's commitment to reliably provisioning clients with the most accurate and up-to-date tax information possible. Just as the services, comprehensive controls and safeguards embedded in Sabrix Tax Research lessens the burden of having to perform and maintain tax research internally, SAS 70 certification eases the burden of having to comprehensively audit these controls yourself as they are already addressed in the Service Auditors Report.

Sabrix provides this Service Auditors Report to customers to give to their auditors in order to help make their audits faster, easier and less costly. This amounts to a further strengthening of Sabrix's core advantages of convenience, savings and optimal tax compliance.

Transaction tax compliance is not something to leave to chance. Our SAS 70 certification provides independent, third-party assurance that quality and reliability is built into all aspects of the Sabrix Tax Research Service, and that we are open and committed to proving it.

ABOUT SABRIX

Sabrix, Inc. is a leading provider of transaction tax management for companies of all sizes, enabling finance, tax, and IT professionals to achieve accurate, timely, and cost-effective compliance for sales tax, use tax, Value Added Tax (VAT), excise tax and industry-specific taxes and fees. The Sabrix Solution combines the Sabrix Application Suite software for sales tax, use tax and value-added tax automation with Sabrix Tax Research, delivering SAS 70 certified tax rates and rules for the U.S. and 170 countries. The company also offers the Sabrix Managed Tax Service™ (MTS), an outsourced transaction tax compliance service that helps finance departments of small-and-medium-sized businesses eliminate the hassle, control their audit exposure, and reduce the total cost of compliance. Sabrix MTS seamlessly integrates with a company's existing accounting and e-commerce systems, and, similar to outsourced payroll services, operates as a trusted extension of a company's finance department to address tax compliance from start to finish: address validation, tax rate maintenance, tax determination and calculation, returns preparation and filing as well as audit research and documentation. To learn more about Sabrix MTS contact us at inforequest@sabrix.com, 866.472.2749.

SABRIX®, the SABRIX logo, Consolidated Transaction Tax Management™, Transaction Logic Engine™, SabrixConnection™, Sabrix Data Interchange™, the Tax Control Panel™, and the Sabrix Solution Workbench™ are trademarks or registered trademarks of Sabrix, Inc. or its subsidiaries in the United States and other countries. All other product names or brands are trademarks or registered trademarks of their respective manufacturers or owners.

This version of this document supersedes any and all previous versions of this document. This document is the confidential and proprietary property of Sabrix, Inc. and is intended solely for possession and use by parties who have received prior written permission by Sabrix, Inc. This document is copyrighted and is protected by worldwide copyright laws and treaty provisions. This document may not be copied, reproduced, modified, published, uploaded, posted, transmitted, or distributed in any way, without prior written permission from Sabrix, Inc.

© Copyright 2010 Sabrix, Inc., All Rights Reserved.

Sabrix provides this
Service Auditors
Report to customers to
give to their auditors
in order to help make
their audits faster,
easier and less costly.

SALES CONTACT
sales@sabrix.com
P. 1.866.4SABRIX

Sabrix - part of Thomson Reuters
12647 Alcosta Blvd, Ste. 155
San Ramon, CA. 94583-5180
USA

SABRIX



THOMSON REUTERS