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THE AUDIT REPORT

ARTICLE TOPICS

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FRAUD ACROSS THE NATION
RESCUING LOST REVENUE



Bidding Farewell to 2011

Another Year of Increasing the TMA Footprint | by Chip Cooke

It is almost impossible to think that 2011 has run its course. For Tax Management Associates, it has been one of our busiest years in recent memory and one that proved to be filled with opportunities and surprising new turns for our company.

While our core business, Business Personal Property Auditing and Consulting, has remained strong, our new business ventures with partner companies have literally burst into existence. As we have told you throughout the year, TMA is now firmly entrenched with LexisNexis®, the world's largest aggregator of data, as our business partner. Access to LexisNexis records have increased our ability to fight waste, fraud and abuse in almost every example of self assessed taxes and entitlements. Currently we work with LexisNexis on Homestead Exemption Fraud Audits, but in the near future expect to see us working in motor vehicles, income tax and any number of entitlement areas at the

local, state and possibly even federal levels.

Another exciting service area expansion for TMA is the increased footprint for our TAXscribe offering – the capability for online listing of business

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personal property returns. For 2012 we anticipate that between 27 and 30 counties in North Carolina will be utilizing the service, giving taxpayers across the state greater flexibility and ease to file their returns. As online listing gains acceptance throughout the

tax community, we anticipate that this will increase across North Carolina and into other states as well.

In addition to expanding our service offerings, TMA is also rapidly expanding into new counties and states. Just this year TMA was fortunate to sign new clients in North Carolina, South Carolina, Tennessee, Connecticut, Nevada, Indiana, Minnesota, Alabama and Georgia. If you can believe it, TMA now offers its services and actively markets in twenty-five (25) states plus the District of Columbia. In fact, TMA representatives attended sixty-two (62) local, state and regional meetings and conferences this year from one end of the United States to the other, making 2011 one of the busiest travel years ever. Are we ready to rest a little during the holiday break? You bet, because 2012 is looking to be even more hectic.

At this time of the year we usually spend quite a bit of time examining

To learn more about any of TMA's services, visit www.tma1.com or contact us at 1-800-951-5350

the trends we have seen throughout the time we have spent in the field and start to wonder what 2012 might bring. Of course, the economy remains slow and tax revenues to state and local governments continue to be pressured across all fronts. Income and sales taxes remain impaired through continued high unemployment and property tax values remain low due to the housing correction. Unfortunately the consensus remains that the current conditions will continue through 2012. With continued uncertainty in the world markets and the continued threat of even more residential and commercial property value correction, we do not see a scenario where vast economic growth is feasible. So, we believe the trend will continue in government doing as much as it can with fewer resources.

Unfortunately, under this scenario what we see most often being stripped from government are compliance initiatives. As government continues to feel pressure to reduce cost, we are seeing more and more instances of internal compliance arms feeling the budget sting. As the various taxes still need annual administration, listing and collecting seem to remain relatively intact. As all self-assessed taxes need steady monitoring to remain fair and equitable, we hope to see this trend reverse when the economy improves.

With this being said, we also see an ever expanding role for private companies that assist the government in revenue sharing models. As discretionary budgets have become essentially non-existent, companies that can create value as well as self-finance their initiatives will become the norm. Many of TMA's current services are

based on that value proposition and we continue to get positive feedback in the marketplace. We expect to see this method of financing projects to continue and even increase through 2012.

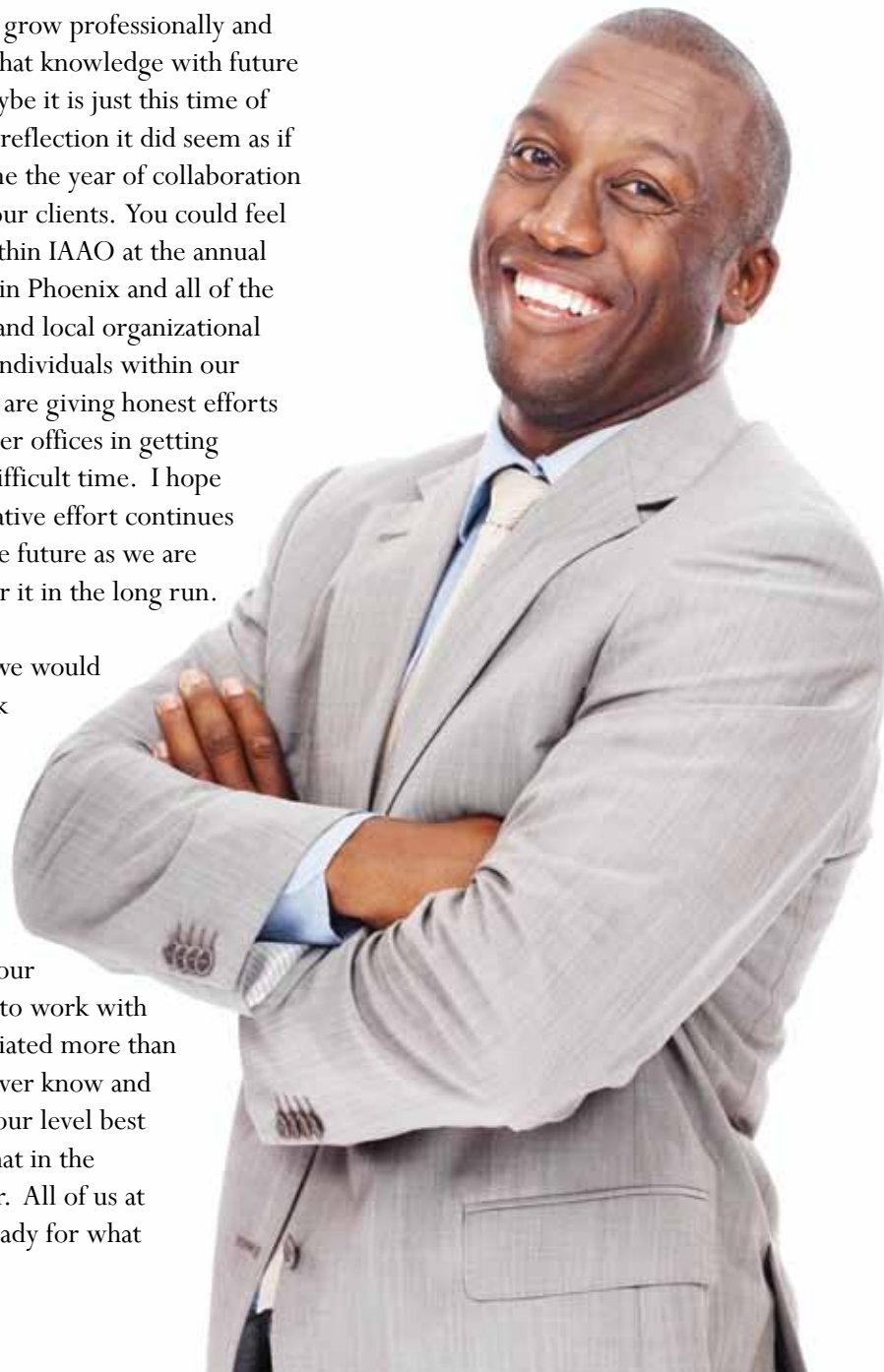
Lastly, we would like to take the opportunity to thank all of the fine individuals with whom we were able to work during 2011. Sharing experiences and best practices with all of our clients and friends in the assessment community is what allows TMA to continue to grow professionally and then share that knowledge with future clients. Maybe it is just this time of year, but in reflection it did seem as if 2011 became the year of collaboration with all of our clients. You could feel this vibe within IAAO at the annual conference in Phoenix and all of the other state and local organizational meetings. Individuals within our community are giving honest efforts to assist other offices in getting through a difficult time. I hope this cooperative effort continues well into the future as we are all better for it in the long run.

As always, we would like to thank each and every one of you who chose to work with TMA this past year. Your willingness to work with us is appreciated more than you could ever know and we will do our level best to honor that in the coming year. All of us at TMA are ready for what

looks to be a truly promising year for our company. From the 135 employees across the United States, we would like to say Thank You, Happy Holidays and Best Wishes for the coming year. If there is ever anything you need, we will continue to be right here and if there is anything we can do for you, please don't hesitate to ask.

Sincerely,

The Entire TMA Staff





Fraud Across the Nation

How Fraudsters are Draining Governments Dry | by Brittany Hunter

As you may have read in the previous article, Tax Management Associates (TMA) is increasingly finding itself in the business of fighting government waste, fraud, and abuse. Our new alliance with LexisNexis® has opened the door to for us to develop programs that help state and local governments recover millions of dollars lost as a result of individuals receiving benefits they are not entitled to.

The sad truth is that whenever a government offers a tax break or writes a check for a refund or other benefit, there are those that will attempt to manipulate the system and collect benefits they don't deserve. When these fraudsters are successful, they wind up stealing money from people who actually need it. The following pages outline some of the different types of government fraud occurring across the nation today, and what is being done to minimize them.

Homestead Exemption Fraud

Homestead exemption fraud primarily occurs in states where qualifying homeowners may receive a tax break on a home that is the homeowner's primary residence. Typically, the taxpayer is only allowed to receive the exemption on one residence and

“The sad truth is... there are those that will attempt to manipulate the system and collect benefits they don't deserve.”

must live in that residence for most of the year. In other words, vacation properties, multiple homes, and rental homes do not qualify. However, fraudsters will sometimes claim exemptions on multiple homes across the country. They often get away with it because local governments typically

do not have the technology to view data across jurisdictions, making it difficult to detect whether a homeowner is claiming additional exemptions in other states. On average, TMA has found that up to 5% of exemptions claimed in a jurisdiction may be fraudulently or improperly filed.

Fortunately, TMA and LexisNexis have partnered to offer a Homestead Exemption Fraud Detection Solution. With access to Accurint, LexisNexis' extensive public records database, TMA investigators have more visibility across jurisdictions, making it easier for us to detect when homeowners are claiming multiple exemptions or when exemptions are being paid to deceased individuals. For more information on how this program works, please see the following pages or call us at 800-951-5350.

State Income Tax Refund Fraud

State income tax fraud is another type

If you have any questions or comments about this article, please contact Britt Hunter at 1-800-951-5350

of fraud that is becoming increasingly popular, resulting in departments of revenue across the nation paying out tax refunds to individuals with falsified identities. Those that request these refunds are often prisoners or criminals who use altered social security numbers to avoid paying tax liens, child support, and other debts associated with “Do Not Pay” lists. Estimates using LexisNexis data suggest that up to 5% of state income tax refunds may be fraudulently requested.

To combat this problem, TMA and LexisNexis have developed an Income Tax Refund Fraud Detection service to find and eliminate this fraud before the fraudulent returns are paid out. For more information on how this service works, please see the following pages.

Welfare Fraud

There are as many flavors of welfare fraud as there are welfare programs, from public housing fraud, to food stamp and unemployment fraud. In an attempt to beat the system, welfare fraudsters may claim dependents that do not exist, claim that there is an absent parent who is actually living in the home, or claim a sickness, disability, or inability to work where there is none. The following outlines some of the more specific forms of welfare fraud and what’s being done to stop them.

Public Housing Fraud

Public housing fraud may occur when an individual’s income is too much to qualify for subsidized housing. Authorities in some states have begun cracking down on this fraud by checking the cars of those who live in public housing. Often, expensive cars

or boats can indicate that an occupant’s income is not low enough to qualify for subsidized housing. Other states even administer DNA tests to verify claims of an absent parent or conduct home visits to verify claims of dependents.

Unemployment Fraud

Unemployment fraud typically happens when previously unemployed individuals continue to collect unemployment benefits even after they’ve found employment. To combat this fraud, investigators compare a national list of new hires to a list of those receiving unemployment benefits. Those found on the new hires list should not be receiving the benefits. In 2010, the State of Missouri cracked down on this fraud and discovered that \$23 million had been paid to individuals undeserving of the benefits. Similarly, the state of Illinois discovered that \$39 million had been fraudulently paid.

Food Stamp Fraud

There are a few varieties of food stamp fraud. Typically, food stamp fraud occurs when a food stamp recipient sells their benefits for cash. Often the recipient will sell the food stamp benefits for half of their worth. For example, the food stamp recipient will sell \$400 worth of food stamp benefits for \$200 worth of cash. This is attractive to the fraudster because the cash can be used for nearly anything, while food stamps can only be used

for certain foods.

Some corrupt retailers have also hopped on this fraud bandwagon and have found that they can pay the food stamp recipient cash for their benefits, giving them half the money for what their food stamps are worth, and then collect the full amount from the government.

Sometimes this kind of fraud can also be the result of an individual failing or neglecting to inform an agency of income changes or an individual falsifying an identity. The state of Kansas has taken measures to combat this kind of fraud. By examining state and federal data sources, the state was able to identify many cases of possible fraud, including 941 possible identity fraud cases, 261 incarcerated recipients and 6,400 recipients who had out of state licenses.

These are just a few of the ways that fraudsters are taking away valuable tax dollars from the people who need it the most. So how do we combat this fraud? TMA and LexisNexis have found that with the right data and the right amount of manpower, most of this fraud can be greatly reduced. The following pages detail how TMA and LexisNexis can help your jurisdiction alleviate some of these issues.





Turning the Tide on Fraud

How TMA Can Help Your Jurisdiction | by Bryan Fawcett

The previous pages described some of the many ways fraudsters are cheating local governments across the nation. What can be done to identify this fraud or even prevent it from happening before it occurs? In the cases of homestead exemption fraud and state income tax fraud, TMA and LexisNexis® have developed effective solutions.

Homestead Exemption Fraud Detection – How it works

The difficulty in detecting homestead exemption fraud lies in the fact that local jurisdictions do not always have access to a comprehensive view of a particular taxpayer. For example, the local jurisdiction often cannot see where the taxpayer has multiple homes and does not have access to certain public records including driver's license information, voting records, real property records, DMV records, birth and death records, probable current addresses, etc. This information can

be valuable in determining where a taxpayer actually resides versus where the exemption is being received.

Armed with LexisNexis public records information, TMA investigators are able to get the full picture on the person

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receiving the homestead exemption, including whether the person is actually even alive (sometimes an exemption may be filed under a deceased person's name, while the new owner of the home receives an exemption he or she is not entitled to). TMA investigators can also see when a taxpayer has multiple

homes and which home the taxpayer actually resides in most of the year. Having this information makes it easy for the jurisdiction to identify and then ultimately deny those taxpayers who shouldn't be receiving the exemption.

The general process for finding these fraudulent exemptions is as follows: TMA uses a list of all exempt properties within a jurisdiction and investigates them using LexisNexis data to determine ownership and occupancy. This includes researching additional homes owned by the same taxpayer, records of the deceased, and other disqualifying criteria. The TMA staff then contacts residents to verify their information and returns the findings to the jurisdiction. TMA even has the ability to key the returned information into the jurisdiction's revenue management system, so that the jurisdiction can focus on billing and collections.

Statistically, TMA has found that about

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5% of homestead exemptions are fraudulently or improperly claimed. Finding and eliminating these erroneous exemptions has resulted in millions of dollars returned back to jurisdictions. In the state of Michigan alone, this program has resulted in over 30,000 improper exemptions denied, returning over \$80 million back to the state. TMA has completed or is the process of completing similar projects in Indiana, South Carolina, and Georgia. If your jurisdiction would like more information about reducing homestead exemption fraud, please give TMA a call at 800-950-5351.

Income Tax Refund Fraud Solution – How it works

As discussed in the previous article, state income tax fraud is becoming increasingly popular across the United States. Prisoners and fraudsters who create false identities are cheating departments of revenue out of millions of dollars each year. LexisNexis data suggests that up to 5% of refunds that are paid out may be fraudulent.

Currently, state governments have some filters to prevent fraud. Typically these are “rules-based” filters that check to make sure that a person hasn’t been paid already, that a refund isn’t for too much money, or that a person isn’t on a “Do Not Pay” list. These filters work to eliminate some fraud; however, the TMA and LexisNexis solution takes it a step further by using “identity based

filters” that give the whole picture of an individual. These identity-based filters check to see if refunds are getting paid to the deceased, people in prison, those who have altered social security numbers to avoid “Do Not Pay” lists, those who appear to live in a different state, and those with other suspicious identities. Fortunately, LexisNexis has the data to pick up on these instances, and TMA can supply the investigative manpower.

As with all of its offerings, TMA is willing to craft a shared benefit arrangement where fees are paid based on the amount of money saved. Under this arrangement, if no money is saved, nothing is paid to TMA.



We're Going Places...



North Carolina Coastal Plains Tax Meeting	Morehead City, NC	Jan 10
Indiana County Assessors Association Conference	Indianapolis, IN	Jan 17 - 20
North Carolina City / County Managers Meeting	Research Triangle Park, NC	Feb 1 - 3
Association of Property Appraisers Conference	Tallahassee, FL	Feb 13 - 16
South Carolina Association of Counties	Columbia, SC	Feb 22 - 23
Association of Alabama Tax Administrators Conference	Montgomery, AL	Feb 26 - 29
Alabama Association of Assessing Officers Conference	Birmingham, AL	Mar 6 - 9
North Carolina Collectors Conference	Winston Salem, NC	Apr 15 - 20
Northeast Regional Association of Assessing Officials	South Yarmouth, MA	Apr 29 - May 2

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