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THE AUDIT REPORT

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Milestone on the Horizon

Another Milestone on the Horizon for Tax Management Associates | by Ryan Hunter

As I pen this article for the latest version of TMA's Audit Report, the company is rapidly approaching yet another milestone in its long history. Sometime in the coming month, TMA's storied Audit Division will have completed its 150,000th audit for our clients.

To say compliance audits in Business Personal Property have hit the mainstream may be a bit of an understatement. As of today, over 450 jurisdictions in fifteen (15) states have utilized TMA's expertise in this area with countless others performing the function as part of their offices' normal operating procedure. Quite simply, without audit, equity and uniformity in the self-assessed tax space becomes impossible.

The Audit Division at TMA has come a long way since the concept was first broached back in 1986. At the time, TMA's core businesses were billing and collections software, motor vehicle

valuation, CAMA systems and county-wide revaluations. While these areas add to TMA's rich history, they soon found themselves backseat to what would be the business of the future – compliance. As with most service lines at TMA, Audit started as a request from

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a current client. Self-assessment in property tax can be a daunting prospect for assessing officials and it was one such official that approached TMA with a problem. How in the world would he know that what was delivered to his office every year was accurate? Tax

representatives tossed about terms like economic and functional obsolescence, purchase accounting write downs and corporate expense policies. How would he know if that number was correct? He needed help.

At that point, management at TMA knew it needed to devise a strategy to help clients with their personal property needs. With the structure of the new division, TMA was fortunate to land two of the top minds in North Carolina at the time, Tom Tucker, Deputy Tax Administrator for Mecklenburg County and Roger Ellis, Personal Property Director for the North Carolina Department of Revenue. While Roger has moved into retirement, Tom Tucker has gone on to receive the prestigious Personal Property Specialist (PPS) designation from the IAAO, and continues to lead the division today.

Over the years, TMA auditors have seen the full gamut of issues related to

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



the taxation of a business' machinery and equipment, furniture and fixtures, computer equipment and leasehold improvements. Software, spare parts, supplies, fully installed cost, ghost assets – if you can think of it, TMA has probably seen the issue somewhere before. “I think our auditors are some of the best in the nation,” quoted Chip Cooke, Vice-President, Sales and Marketing. “They have a tremendous combination of skill sets, a knack for attention to detail and are to a person, superb communicators. They are the auditors you would want on staff if you did this process in-house.”

From a training and process perspective, having 150,000 audits under your belt is a wonderful thing. “We have really fine-tuned our methodology to such an extent that we can do our jobs at an extremely high level without being a burden on the taxpayer”, quoted Tom Tucker, Vice President, Audit Operations. “We want the taxpayer to have a positive experience in what can be a very emotional time. Even though 70% of our audits show the taxpayer is doing a great job, there can still be a good deal of trepidation about the process. We want to alleviate that.”

Although the audit process has been ongoing for TMA over the past twenty-five years, with the recent downturn in the economy, we have seen an even greater move towards compliance efforts in every source of revenue. As residential and commercial property values drop, officials are faced with either a reduction of service or a coinciding increase in the tax rate to offset the value loss. If the question arises, ‘Do we want to make sure we are receiving everything owed to us and allowed by statute?’, the overwhelming response is ‘Yes.’ To those officials, TMA can honestly say – we can help with that.

We always try to think of some compelling moment or event around the major milestones to share with our clients and this time, one stands out in stark contrast to others. Because TMA performs so many audits for our clients, we are bound to have repeat taxpayer interaction. If you consider that a vast majority of our taxpayers under investigation are multi-jurisdictional in nature, you can easily see how many times we may encounter a given taxpayer in an individual year. This past year, one

such taxpayer called Tom Tucker to schedule some upcoming audits. The taxpayer's representative informed Tom that she would be leaving the position she currently held and was tasked to train her replacement. She then asked if Tom minded if they scheduled the training around the upcoming audits to prepare the new individual. It seems that the representative felt that TMA performed audits “the right way” and wanted us to pass on that methodology to the new hire. Now, we have done a lot of things over thirty-three years, but assist in the training of a taxpayer on the other side of the table was a first for even us. If there was any doubt as to the educational component of TMA's process, that doubt has been put to rest.

We look forward to another 150,000 audits for our clients and hope that we can continue to add value well into the future. If you would like to explore our service lines in more detail, please feel free to contact myself or anyone at TMA at 1-800-951-5350, or visit us on the web at www.tma1.com.



Questions Answered

An In-Depth Interview with TMA's Homestead Program Manager | by Brittany Hunter

Last year, TMA told you about our partnership with data specialist LexisNexis® to fight government waste, fraud, and abuse. One of the ways we've committed to doing that is through our Homestead Exemption Audit Program, which finds those exemptions that have been improperly or fraudulently claimed in a jurisdiction. Typically, this includes exemptions that have been claimed on multiple homes, vacation properties, rental homes and other properties that are not a taxpayer's primary residence.

In developing our strategy with LexisNexis throughout the past year, we've been able to refine our processes and we've learned a lot about the kinds of exemptions and scenarios we're seeing out in the field. I interviewed Sarah Diehl, Program Manager for the Homestead Audit Program to ask some burning questions about how the program works and what kinds of situations we're seeing in the real world.

Brittany: Do you think most taxpayers that you speak to everyday are knowingly committing fraud or are most of the improper exemptions honest mistakes?

“We see plenty of taxpayers who are simply unaware of the laws, but it is part of our job to educate them in properly fulfilling the applicable requirements”

Sarah: Based on our findings for several projects, multiple exemptions (the most obvious type of fraud) are not the most prevalent in the preliminary data results. For example, of the accounts we run through LexisNexis, 2% are those receiving multiple exemptions, versus 5% who are

deceased and 31% who have multiple homes that require more investigation. The remaining 62% of accounts are those that are “all clear” and do not require further investigation. However, multiple exemptions are usually the most blatant type of fraud because they have two or more within the same county, different counties, or across state lines. The deceased people and those with multiple homes that we're seeing, are often heirs and multiple homeowners who are just unaware that they have to notify the county when the owner dies or that claiming an exemption on a property that you do not live in full time is illegal. We see plenty of taxpayers who are simply unaware of the laws, but it is part of our job to educate them in properly fulfilling the applicable requirements.

Brittany: What are the common scenarios that you see for why these exemptions have been erroneously claimed?

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

Sarah: “Not owner occupied” and “multiple exemptions” are our two biggest denial categories. The “not owner occupied” category generally falls under deceased owners’ children living in the house without having ever changed the deed. The owners may have moved and because they couldn’t sell their other house they let it sit vacant or started renting it out while still receiving the exemption.

The next biggest categories deal with businesses and rental properties. This stems mainly from all of the foreclosures in 2009 and 2010. For example, banks will often take over ownership and then make no effort to notify the county and will still receive the exemptions. In addition to this, we also see a lot of investment companies that use “land contracts” (rent to purchase homes). If the investment company takes the time to get the contract recorded with the deeds office, then the contract and exemptions are legitimate. If they do not, then they may be essentially scamming the system by receiving the exemption for a rental property.

Brittany: What is the most extreme case of Homestead Exemption Fraud that you’ve seen to date?

Sarah: There was a case in Delaware County, IN where a gentleman had an exemption in both Delaware County, IN and Broward County, FL. He owed about \$15,000 in Delaware and over \$400,000 in Broward. When he realized he got caught he tried to claim his life partner was being put on the deed for the house in Florida and therefore he wasn’t doing anything wrong. He tried claiming that he lived in Delaware and the life partner lived in Florida.

Brittany: Are there particular areas of the country that you think are more prone to Homestead Exemption Fraud? Why?

Sarah: The areas that are most plagued by fraud are vacation destinations such as Florida. Usually areas on coasts and lakes have a lot of second homes. As these properties are higher in real estate value, people want to claim exemptions to reduce their taxes. Unfortunately to pay their taxes and mortgage they usually must rent their homes to afford them which makes them unqualified for the exemptions. The states where we have seen the most multiple exemptions are New York, Florida, and Ohio.

Brittany: What do you think sets the TMA Homestead Audit program apart from similar programs that are currently out there?

Sarah: We understand how tax offices work. We know they have budget and resources constraints and that

time and money is precious. We also value customer service and realize the impact the audit will have on the tax office. When letters are mailed we always get an increase of people calling or walking into the tax office. We give them techniques to handle the volume, and we even offer to have staff go to help them. Even though the Homestead Exemption Audit Program is relatively new, TMA has been working with local government long enough to know how our work affects them. Having some staff that have actually sat and worked in a tax office is really eye opening to their daily challenges. I don’t know of any other company that has staff members who have worked in the tax office to realize these challenges.





1.5 Million and Counting

A Great Success Recovering Revenue in Delaware County, Indiana | by Jake Fagan

Tax Management Associates is pleased to announce a major success in the effort to fight government fraud and abuse with the recent completion of our Homestead Exemption Audit Program for Delaware County, Indiana. This program discovered nearly \$1.5 million in improperly and fraudulently filed Homestead Exemptions, and its success is making headlines across the country.

It was just last year that TMA informed you about our new strategic alliance with data specialist LexisNexis® to fight waste, fraud, and abuse. While TMA has run a form of this program in Michigan for the past six years, our partnership with LexisNexis has allowed us to have access to more public records data and has opened the door for us to expand into other states. In the past year we've brought our Homestead Exemption Audit program to three new states: South Carolina, Georgia, and Indiana.

In all of these states, TMA and LexisNexis are making great strides to

help jurisdictions recover millions of dollars in improperly filed exemptions. In the coming months, expect to hear more about us expanding into and fighting fraud in even more territories. In the mean time, please read the press release below about our program in Delaware County, Indiana.

“This program discovered nearly \$1.5 million in improperly and fraudulently filed Homestead Exemptions, and its success is making headlines across the country”

If you have any questions about this program, or would like to know how TMA and LexisNexis can help your jurisdiction, please call us anytime at 1-800-951-5350.

LexisNexis and Tax Management Associates Identify Fraud and Discover Nearly \$1,500,000 in New Revenue for Delaware County, Indiana

Alliance Leverages Data and Investigation Capabilities to Combat Homestead Exemption Fraud

*February 27, 2012 10:15 AM EST
WASHINGTON, DC - (MARKETWIRE) -
02/27/12*

LexisNexis® Risk Solutions and Tax Management Associates, Inc. (TMA) today announced that Delaware County, Ind. has discovered almost \$1,500,000 in new revenue by leveraging the companies' Homestead Exemption Fraud Detection program. The program - the result of an alliance created by the companies - combines LexisNexis analytics technology and public records databases with TMA's investigative capabilities to help counties detect Homestead Exemption fraud and discover new revenue.

Under the program, LexisNexis

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identified 3.6 percent of the applications in Delaware County's Homestead Exemption program were potentially fraudulent by examining key indicators of fraud such as:

- Exemptions filed by owners for rental properties;
- Individuals with multiple exemptions for multiple properties within Indiana;
- Individuals with multiple exemptions for multiple properties across multiple states;
- Businesses receiving exemptions; and
- Family members receiving exemptions under deceased property owners' names.

TMA further investigated the LexisNexis findings, verified the information and prioritized the accounts for collection by Delaware County.

"I feel that this program is very thorough and allows the Auditor and their staff to have good accurate data when letting the delinquent taxpayer know of the findings," said Judy Rust, county auditor, Delaware County. "County governments still need to fund essential services like education and public safety no matter the state of the economy," said Haywood Talcove, chief executive officer, Government, LexisNexis Risk Solutions. "Delaware County is staking out an important leadership role among its county government peers by taking action to combat fraud, which ultimately results in a new stream of revenue within its existing tax structure."

"Most homeowners are honest, pay their taxes and only file for Homestead Exemptions to which they are entitled, but there are always those who will try to defraud the system," said Richard (Chip) Cooke, Jr., vice president sales and marketing, TMA. "We are honored for the opportunity to work with LexisNexis and Delaware County to uncover and fight Homestead Exemption fraud."

About LexisNexis Risk Solutions: LexisNexis Risk Solutions (www.lexisnexis.com/risk/) is a leader in providing essential information that helps customers across all industries and government predict, assess and manage risk. Combining cutting-edge

technology, unique data and advanced scoring analytics, Risk Solutions provides products and services that address evolving client needs in the risk sector while upholding the highest standards of security and privacy. LexisNexis Risk Solutions is part of Reed Elsevier, a leading publisher and information provider that serves customers in more than 100 countries with more than 30,000 employees worldwide.

LexisNexis helps law enforcement, intelligence, revenue and social services agencies in the government industry enhance investigations, derive insight from complex data sets, and combat fraud, waste and abuse.

About Tax Management Associates (TMA): Since 1979, Tax Management Associates (TMA) (www.tma1.com) has been assisting state and local tax officials in their day to day duties of administering property tax. TMA is made up of an experienced management team, accounting professionals and other specialized individuals, comprising over 130 people in offices across the United States. TMA's expertise lies in leveraged technology and a deep knowledge of local taxation practices to assist its clients in discovering and processing missing sources of revenue. These sources of revenue include business taxes, income taxes and improperly filed exemptions. Tax Management has performed similar services for over four hundred and fifty client jurisdictions in fifteen states.



We're Going Places...



North Carolina Collectors Conference	Winston Salem, NC	Apr 15 - 20
International Association of Assessing Officers Conference	Lake Mary, FL	Apr 18 - 20
Maryland Government Finance Officers Association Spring Conference	Baltimore, MD	Apr 20
Northeast Regional Association of Assessing Officials	South Yarmouth, MA	Apr 29 - May 2
South Carolina Association of Assessing Officials	North Myrtle Beach, SC	May 3 - 6
South Carolina Association of Auditors, Treasurers, and Tax Collectors	Litchfield Beach, SC	May 9 - 10
Indiana County Auditors Association Conference	Harrison County, IN	May 15 - 18
Connecticut Association of Assessing Officials	Storrs Mansfield, CT	June 3 - 7
Federation of Tax Administrators	Washington, DC	June 17 - 19
Mississippi Association of Supervisors Convention	Biloxi, MS	June 18 - 21
Maryland Government Finance Officers Association Conference	Ocean City, MD	June 20 - 22
North Carolina County Managers Conference	Asheville, NC	June 28 - 30
Michigan Equalization Directors Conference	Lewiston, MI	July 15 - 18

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