

audit report

The leading source of equity solutions for state and local government

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Tax Management Associates, Inc.



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audit division

The Bedrock of Tax Management Associates, Inc. | by Chip Cooke

During times of uncertainty and doubt, it is not uncommon to take glimpses into the past looking at the most certain things in your life. A global pandemic tends to provide the impetus for just that. As I look back on TMA's accomplishments over the last 40 years, I can't help but to be drawn to the bedrock of our business since 1987, TMA's Audit Division.

As with most innovations at TMA, the Audit Division started as an idea from a client with a problem. A local North Carolina Assessor had approached TMA's owner with a question. He stated simply, "I know what you can do with CAMA, mass appraisal projects, and motor vehicle valuation, but have you ever considered Business Personal Property?"

As you, the reader, already know, the

Business Personal Property Tax is an integral part of most local governments' property tax base. It usually makes up 10 to 20 percent of the local revenue stream and funds all levels of the local government structure. It is also a self-assessed tax, meaning the taxpayer provides a self-reported declaration and then receives a bill from the jurisdiction upon completion. Our client then had a question, "How do I know that the declaration is correct?"

The management at TMA did what all good companies do, and started to explore a solution to the client's issue by hiring experts in the field with the skill sets to solve that problem. At the time those two individuals were the late Roger Ellis from the North Carolina Department of Revenue and Tom Tucker, then a Deputy Tax Administrator from

Mecklenburg County and today, TMA's Chief Operations Officer. All of this occurred in October of 1987 and today, the Audit Division accounts for over 92% of TMA's total revenues. This effort has spanned over 550 clients in 23 states and continues to grow on a yearly basis.

You could rightly say that Audit is in our collective DNA now. By definition, an Audit is "An official inspection of an individual's or organization's accounts, typically by an independent body. A systematic review or assessment of something". For 33 years, we have honed that skill and taught it to those who came after. Today, it means that we get to live with the motto we created "Quality by Design", and strive to assist at the highest level within the equity and uniformity of the state and local tax systems. Business

Personal Property Audits, Homestead Exemption Audits, Gross Receipts, Hotel and Motel taxes – virtually every source of funding for government can be bettered by partnering with a company that has an entire career's experience in one division.

Yes, it's going to make me feel slightly old, but I was extremely curious about looking back at the beginning of the Audit Division and all that 1987 had to offer.

Yours truly was a sophomore in high school and starting to look at colleges. President Reagan had just given his historic speech in West Berlin in which he implored to then Premier Gorbachev, "Tear down this wall!", an event that would happen three years later. A gallon of gas was averaging 89 cents,

and the U.S. national median home price was \$44,000. 1987 saw the very first episode of The Simpsons and the stock market crash on October's Black Monday, sending shares down 20% across the entire length of the exchange. I hesitate to mention fashion, but vaguely remember acid-washed jeans and a crewneck sweater – don't judge me.

Since that year, now over 33 years ago, the Audit Division has made some amazing advances. I remember writing an article many years ago that touted the accomplishment of 100,000 audits completed across the country. I think I completed the article by saying "Who knows where we will be when we hit 200,000?". As of this morning, we have completed over 265,000 audits with proceeds of over 60.3 billion dollars returning to state and local

government budgets. Those increases lead to better schools, more equipment for first responders, and all manners of improvement throughout local government.

I'll apologize in advance, I love to brag on our managers, professionals, and clients. We believe in what we do and feel that every day our best effort is given in our endeavors. Of course, as of this publication, with many of us still exclusively virtual, I hope you will take the time to explore our website, and contemplate whether TMA is a good option for you.

In the meantime, stay safe and remember that for over 40 years we have been there for your organization, your people, and your mission. As always, thank you for your business and God Bless you.



ask renato

Renato Berisha, Audit Regional Manager of Connecticut, Indiana, and Michigan | by Ryan Hunter

When did you get started with TMA? Tell us about your years here. *It was my first job after college. The opportunity to travel the country while performing audits was very appealing at that time. 17 years later, I have traveled to about 43 states.*

What has been your favorite project that you have worked on? *There have been many over the years, but I would say the utilities project that we did for the State of Michigan was the most fulfilling. We performed an audit on all public utility companies across the entire state. It was a big undertaking.*

What is the best part of your job? *Working on complex audit projects that require novel approaches to complete.*

How has your job changed for you since the start of 2020? *Well, 2020 has turned our work upside down. I used to travel a couple of times per month to see our clients and deal with various audit questions on the ground, but with the travel restrictions, that has almost entirely stopped.*

What do you think you do better than 90% of people? *Analyze large sets of data and present conclusions succinctly.*

What topic could you spend hours talking about? *If you start talking financial markets, I am game! I love to follow the bubbles and the wisdom of crowds.*

What's fun when you're not working? *I enjoy playing a round of golf anytime weather permits and playing in a golf league or two (or three).*

What is one thing that you recently discovered? *I really feel like time appears to move significantly faster when you get older.*

What life event made the biggest impact on who you are today? *Moving to the United States from Albania when I was 16 with my parents and brother was such a huge change. Fortunately, my Dad was a recipient of the Diversity Visa Program so off to the States we went.*

What is your typical Sunday like? *It involves chilling at home with my wife and our son, Oliver, that was born in September. He is growing up so fast and we are enjoying the process of parenthood very much.*

What pre-pandemic thing do you miss the most? *I used to love going to breweries in the towns that I traveled to but now it seems to be too much of a risk with a little one at home.*

Do you like things to be carefully planned or do you prefer to just go with the flow? *I'd say carefully planned. Being an accountant by nature, I like to see things coming instead of surprises.*

What movie can you watch over and over without ever getting tired of it? *I'll take two. Anchorman and Caddyshack.*

What habit do you have now that you wish you started much earlier? *I would have to say having the ability to put things into proper context.*

What award should you be nominated for? *Just go ahead and give me the Sarcasm Academy Award already!*

What did you Google last? *Let me look real quick. Okay, so last night it was "Infant Growth Chart."*

Save or Spend? *Both, concurrently. The only way.*

What stories from your life will you tell your children about? *I would have to say it would be when I first moved to the states and did not speak the language. Everyone would talk louder at me thinking that helped me understand what they were saying, but my ears were fine. I just did not comprehend English yet!*

If someone narrated your life, who would you want to be the narrator? *This answer is obvious, but I would have to go with Morgan Freeman.*

Where are you a regular? *Prior to the pandemic, it seemed to be the airport!! Now I would say, nearby my house. The people at Home Depot must think I work there with all of my recent home improvement projects!*

What was cool when you were young but isn't cool now? *Definitely cell phones. I thought I was the coolest but now it is such a distraction.*

One thing you'll never do again? *Ice Skating. No, thanks. Not for me. Never again. Sorry, I'm not doing it.*

What is the most spontaneous thing you have done? *I bought a motorcycle out of the blue. I always wanted one since I was little. I think it was because when I was a kid in Albania my Dad used to ride motorcycles all the time.*

A life goal? *Retire early enough to be able to enjoy traveling to places like Australia, Southeast Asia, Africa, but basically any far away international location.*

Favorite recent purchase? *Surprisingly, the AirPods Pros. (I used to have debates with Renato about this since I am devoted to Apple products only, so it's nice to see him leave the dark side. For the record, he has an iPhone now also.)*



exploring for tomorrow

The Illusion of Normalcy and the Inevitability of Change | by Dr. Mark Cooke, Ph.D.

Human beings are, for reasons of survival, risk averse. We try our best to predict the future. We then measure, strategically, changes to that future based on our potential actions. We pick the course of action which maximizes our likelihood of success, or maximizes our benefit, or some combination of the two. We base these perceptions on the predictability of the future and the self-reassurance that the same things that were likely to happen in the past are those same things which are most likely to happen in the future.

Under these assumptions, for some, it would then seem that the best thing to do today is the same thing done yesterday, as tomorrow is more likely to be just like today. The calendar is set by day, month,

and quarter. The day is set by hour. Lunch is at noon. Work begins and ends on the hour. I follow my commute to ensure I am on time. I live by the rhythm of my expectations, and in as much as they are fulfilled, I am satisfied in my predictions and outcomes.

However, I would argue that this is a relatively recent phenomenon in culturally curated perceptions of the future. In fact, the argument wouldn't even be very difficult. For modern humans, let's say over the past 15-20,000 years, the world hasn't been very predictable. It has only been recently, arguably since the industrial revolution, that we have inculcated a world of predictable reliability. With assembly lines, automotives (trains, cars,

and planes), and mechanical reliability we have, as modern homo sapiens, been able to interject or coerce our own reliable predictability onto the future. At least, what we perceive and culturally reinforce as reliable predictability - what we have come to call "the normal."

Arbitrarily, if we wanted a stake placed where the normality campaign began, we could point to 1889 and Edison's first application of electricity to large scale mechanical projects. Shortly after, in 1913, Henry Ford invents the first ever mechanical assembly line. David Packard and Bill Hewlett found Hewlett-Packard in 1939 as the beginning of the modern computer industry. Over the same period we watch medicine define the normal body; psychology the normal

mind; sociology the normal society; and "natural laws" (read as what makes things normal) begin to abound across everything from economic to legal theory. The normal - what to expect from anything and everything - takes hold of western culture and gives to individuals a sense that tomorrow can be just like today.

If we want counterexamples from other cultures or other cultural epochs, we don't have to look far. Not everyone in every time felt that the future was so predictable and reliable. Quite the opposite. Many cultures feared the unreliable nature of tomorrow, and so put other safeguards in place to help offset the unknown. For example, although the American Indian Hopi prayed to the Kachinas for divine intervention with the elements, they also tried to keep three years of seed corn in reserve to stave off drought and pestilence.

Ship launching, and the uncertainty of life at sea, also reflects this sense of the realization of the non-normal and the unpredictable. Many European traditions include safeguards, including pouring libations on the boat to help protect it and its crew. The Vikings went a step further and sacrificed a slave, transposing blood for alcohol to help win the affections of powers that might control the sea. On an even more extreme granular level - and without the detail here to do the subject justice - the Mayan calendar, in part, contained 18,980 specifically named unique days in one Calendar Round which foretold of auspicious and inauspicious activities people could take to help stave off disaster.

The argument I am making is that the end of normalcy, the new normal, or a return to normalcy is perhaps just a cultural reaction to events that have

strained our social structures, which were themselves based on an artificial and unsustainable ground. A structure built on a weak precept; an unstable footing. It is very similar to a just-slightly older rhetoric of returning to the good old days - which never existed and is perhaps the greatest fiction and attempt to dupe ourselves into not forging a better future. There is always a future, in fact, which has never existed and which requires all of our creative efforts and cumulative will to achieve.

Birthing this better future is where leadership finds its expression. It is the ability to imagine the not-yet-existing alternative which maximizes both the benefit received and the probability of receiving it. We have seen this again and again in business contexts. We have watched Blockbuster die, doing the same thing that they did the day before, while Netflix thrives constantly reinventing itself from disk delivery, to online streaming, to content creator. One of my absolute favorite business books is *Lead and Disrupt: How to Solve the Innovator's Dilemma* (2016) by Charles O'Reilly III and Michael Tushman which covers the idea that normal is always temporary, at best, and change is the only certainty.

The premise of the book is this: the best companies exploit a market by offering the best product or service at that moment. However, they equally explore opportunities to ensure that they are in a position to exploit the next market, which may not even exist as of yet. Every successful company, then, balances the exploit and explore paradigm to maximize benefit, but also the probability of future success under new conditions which can never be known in advance. It is not a circle, either, but a spiral that stretches out over time, combining circularity and linearity,

or process and intent.

So, where is the rub? If we know what it takes to be successful, then why is it so hard to achieve? People are risk averse, and therefore reluctant to explore, particularly in the face of potential failure. Unrequited faith in the normal and the return to things past. When things seem uncertain, or downright scary, fear intensifies that desire for a "return to normalcy." But, we also know that doing the same thing today as yesterday will only lead to failure due to changing conditions. The more drastic the change in the environment, the more necessary the need for change in our behavior.

Writ small - pun well placed - this can be seen in the move from paper and pen to the printing press, on to the typewriter, then email, and eventually instant messaging. On a larger scale we can see how these technological changes then impacted social communication, the distribution of knowledge, access to a public voice, workplace organization, and the evolution of ideas. The town crier becomes the Arab Spring.

The precept becomes to accept change as the only normal, and to look constantly at the horizon for the next opportunity. We must exploit what works today, but constantly explore for tomorrow. As leaders we need to encourage people to try, and support them when they fail. The challenges put before us this past year couldn't highlight this any better.

We need to explore every tool in our kit, and even invent some new ones, just to adapt to the changing landscape. There is no going back. Time is linear and what has passed has passed. It is only incumbent on all of us now to find the best next new normal.



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