

NC 2018 Advanced Seminar

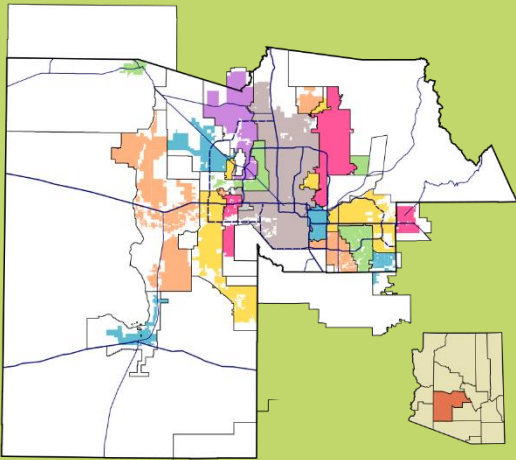
Audit Programs and Procedures: Another View

Lesley Kratz

Assistant Chief Deputy - Maricopa County, Arizona

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- Assistant Chief Deputy Assessor of Maricopa County, AZ
- Fourth Largest Assessing Jurisdiction in the USA



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- Commercial Personal Property Accounts
 - 46,000 – Business



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- Leasing Personal Property Accounts
 - 30,000 – Business



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Current Audit Program

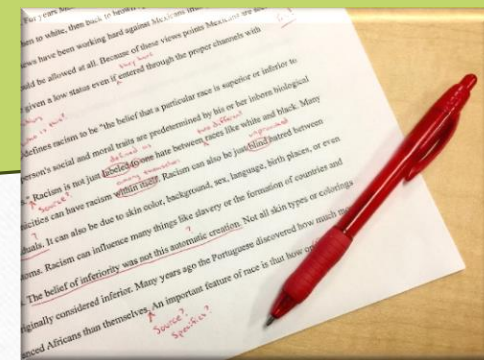
- Through the years we audited a number of business
- Only County in AZ with an established audit program
- Conducted a forum in 2011
- Shared our program with many jurisdictions outside AZ



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Audit Unit Mission

- Provide a mechanism to review and make corrections as necessary to the personal property assessments while providing expertise on issues that transcend both real and personal property.



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Current Audit Program

- All audits have two parts:
 1. Asset Analysis
 2. Supplies Analysis



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Current Audit Program

1. Inspection of Property
2. Interview of property owner
3. Summary of assessable costs
4. Application of depreciation
5. Proper statutory exemption
6. CWI
7. Reconciliation process
8. Exit interview

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Current Audit Program

- Through a series of emails or by scheduling a meeting, the auditor will begin by asking numerous questions
- A tour of the facility also assists the auditor in understanding the business and the property owner's equipment



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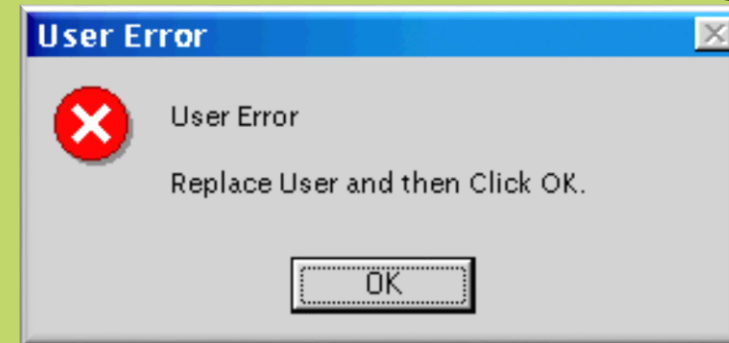
Current Audit Program Report

1. Minutes of initial interview
2. Minutes of exit interview
3. Record of personal inspection
4. Comprehensive listing of assets
5. Dates of operation
6. Documentation for supplies analysis
7. Identification of real property
8. Final Audit Report

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Current Audit Program

- Audit Process can only address objectively identifiable errors
- In Arizona, we're only allowed to change the current year plus three years prior



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Current Audit Program Results

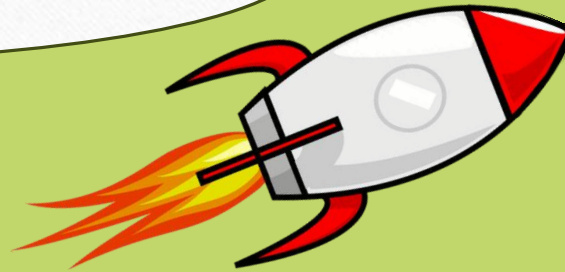
- Audit 1% of Personal Property Accounts
 - 27% audited accounts result increase valuations
 - 6% audited accounts result decrease valuations
 - 67% audited accounts result in no change valuations



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Pilot Program

- Started in 2016
- 100 businesses were randomly selected



Size Class	FCV Range	Audits (Businesses)	Accounts
Class S	\$0 to \$125,000	0	0
Class A	\$125,000 to \$400,000	75	150
Class B	\$400,000 to \$1,000,000	15	30
Class C	\$1,000,000 to \$5,000,000	6	10
Class D	\$5,000,000 to \$20,000,000	2	3
Class D3	\$20,000,000 and up	2	7
	Totals	100	200

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Expanding the Program



- We adopted TMA's Discovery and No Discovery Letters
- We also adopted analysis documents from TMA
- This created a hybrid system
- TMA still uses their own system, but have adopted some of our items

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Training

- Experienced TMA Auditor and Sales Representatives ran a training program for our office
- Reviewed Maricopa County's current audit program with this team from TMA
- Things didn't go well...



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Training

- After the p did a two
- We assign
- Auditors s

together and

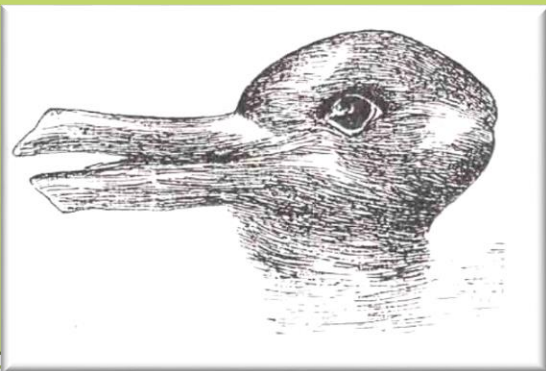
TMA Auditors

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Consistency



- Expectations for audits have to be the same no matter who is sitting at the table: Maricopa County or TMA Auditor.
- All final decisions are authorized by Maricopa County.

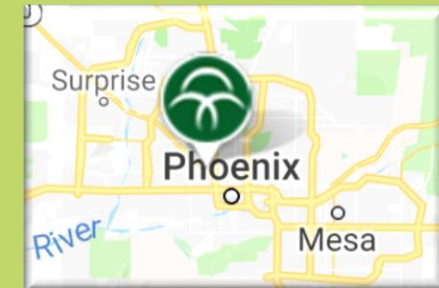


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TODAY

Today...

- We continue to have yearly meetings with TMA & auditors
 - What worked and didn't work
 - Where we can be better
 - Efficiencies in our processes
- TMA is committed and has an office in Phoenix!



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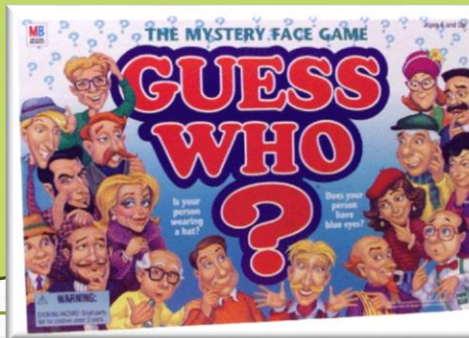
PUSHBACK



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Business Community

- Who are these people???
- Is this true - Are they who they say they are?
- We had to explain that TMA auditors were our agents.



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Tax Groups

- Tax agents and activists were concerned that non-Assessor employees were recommending values
- Arizona requires that you be a certified appraiser in order to represent or create an official value



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Tax Watchdogs

- One large watchdog group was persistent and we had to arrange for a lengthy meeting to discuss the process
- What we found was the watchdog group was given incorrect information about the process



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State Board of Equalization

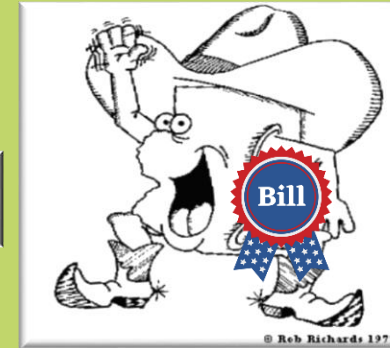
State Board of Equalization (Appeals)

- Who represents the Assessor's Office on appeals?
- Our contract stipulates TMA can support our office at appeal hearings. *But our appraisers represent us at the hearing with TMA in attendance*

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Attorneys

- Current lawsuit says using outside contract to determine value is unconstitutional



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Staff!

- Everyone thought they were losing their jobs
- Needed to answer the question “Why TMA?” to staff



**You're
Fired!**



WHY? why?
why? Why?
WHY?

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Lies, Damned Lies, and Statistics

	Totals	Class S	Class A	Class B	Class C	Class D	Class D3
FCV Range		0-\$125K	\$125K- \$400K	\$400K-\$1M	\$1M-\$5M	\$5M-\$20M	\$20M+
# of Accounts	1610	1134	156	116	117	65	22
FCV BEFORE	532,538,120	18,768,933	28,241,882	35,945,261	74,795,504	109,011,800	265,774,740
FCV AFTER	538,468,749	22,268,497	25,461,580	37,354,087	77,844,619	104,625,600	270,914,366
DIFFERENCE	5,930,629	3,499,564	-2,780,302	1,408,826	3,049,115	-4,386,200	5,139,626

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Takeaways

- Hybrid Approach – integrate Maricopa with TMA
- Staff Integration – mentor program to assist with questions and AZ law
- Tax Agents/Groups – ensure they understand TMA is an agent of Maricopa County but NO VALUES are determined



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Farewell

