



## IMPORTANCE OF AUDIT PROGRAMS

### 1. IDENTIFYING PROPERTY

THE ASSESSORS' OFFICES IN ALL GEORGIA COUNTIES HAS THE RESPONSIBILITY OF APPRAISING AND ASSESSING ALL OF THE TAXABLE PROPERTY WITHIN THE COUNTY. THEY BASICALLY DEAL WITH TWO DIFFERENT TYPES OF PROPERTY....

**REAL PROPERTY:** ALL LANDS AND BUILDINGS THEREON...ALL THINGS PERMANENTLY ATTACHED TO THE LAND.

**PERSONAL PROPERTY:** ALL PROPERTY THAT IS MOVABLE IN NATURE...  
BOATS, AIRPLANES, AGRICULTURAL EQUIPMENT,  
LIVESTOCK AND ASSETS USED FOR BUSINESS PURPOSES  
(SUCH AS FURNITURE, FIXTURES, MACHINERY,  
EQUIPMENT AND INVENTORIES AND SUPPLIES).

REAL PROPERTY IS EASILY IDENTIFIED AND VALUED BY MAKING A REVIEW OF THE PROPERTY. ANY CHANGES IN THE PROPERTY ARE USUALLY IDENTIFIED AND THE VALUE IS UPDATED. THE PROPERTY OWNER, BE THEY A HOMEOWNER, FARMER, OR BUSINESSMAN, HAS LITTLE INPUT AT THIS POINT OF THE APPRAISAL PROCESS. APPRAISING PERSONAL PROPERTY IS QUITE DIFFERENT.

SOME PERSONAL PROPERTY CAN BE SOMEWHAT EASY TO IDENTIFY AND VALUE ... SUCH AS BOATS AND AIRPLANES. EACH OF THESE HAS REGISTRATION LISTINGS AND MARKET GUIDES AVAILABLE FOR THE VALUATION PROCESS. AGRICULTURAL PERSONAL PROPERTY IS SOMETIMES A LITTLE MORE DIFFICULT TO IDENTIFY, BUT MARKET GUIDES ARE STILL AVAILABLE FOR THE EQUIPMENT AND LIVESTOCK (MOST OF WHICH HAVE NOW BEEN EXEMPTED IF THEY MEET THE SPECIFIED QUALIFICATIONS). BUSINESS PERSONAL PROPERTY IS THE MOST DIFFICULT TO IDENTIFY AND VALUE BECAUSE OF ITS MOBILITY AND AREA OF SPECIALIZATION.

## **1. OBJECTIVE OF AN AUDIT PROGRAM**

TAX ASSESSORS' OFFICES ARE REQUIRED BY LAW TO DETERMINE THE FAIR MARKET VALUE OF ALL REAL AND PERSONAL PROPERTIES AND TO MAINTAIN EQUITY BETWEEN THESE PROPERTIES. TIME, FINANCES AND EXPERIENCE MAKE THIS A DIFFICULT TASK FOR MOST APPRAISAL STAFFS, ESPECIALLY IN THE AREA OF BUSINESS PERSONAL PROPERTY. AS A RESULT, MOST OFFICES ARE FORCED TO SIMPLY ACCEPT WHATEVER IS REPORTED BY THE TAXPAYER. THE PURPOSE OF AN AUDIT VERIFICATION PROGRAM IS TO ASSIST YOUR COUNTY BY ASSURING THAT EQUAL TREATMENT IS PROVIDED TO ALL TAXPAYERS THROUGH THE ESTABLISHMENT OF A BUSINESS PERSONAL PROPERTY COMPLIANCE SERVICE IN WHICH ALL ACCOUNTS ARE EXAMINED. AN AUDIT GATHERS INFORMATION THAT ALLOWS AN ACCURATE DETERMINATION OF THE FAIR MARKET VALUE OF THE PROPERTY AND WHAT IS SUBJECT TO TAXATION. BY EXAMINING RECORDS OF THE PROPERTY OWNER, VALUES ARE NO LONGER SOLELY DEPENDANT ON THE GOOD FAITH DISCLOSURES OF THE TAXPAYER OR THIER CPA.

## **2. EQUITY & UNIFORMITY**

YEARS AGO THE STATE RECOGNIZED THAT "STATEWIDE" BUSINESS PERSONAL PROPERTY TAXES WERE NOT [A.] BEING REPORTED WITH ANY CONSISTENCY, [B.] NOT BEING REPORTED ACCURATELY, AND [C.] IN MANY CASES NOT BEING REPORTED AT ALL! SO THIS WAS RECOGNIZED AS A PROBLEM THROUGHOUT GEORGIA AND NOT IN JUST A FEW COUNTIES.

TO ADDRESS THIS "STATEWIDE" ISSUE, THE STATE COMPLIED THE APPRAISAL PROCEDURE MANUAL [APM], WHICH EXPLAINED IN DETAIL THE "WHAT, HOW, & WHY" OF THE LAWS REGARDING BPP TAXATION. FURTHER,

IT WENT ON TO STATE THAT "COUNTY APPRAISAL STAFFS SHALL PERFORM AUDITS - TO VERIFY THE ACCURACY OF BUSINESS PERSONAL PROPERTY TAX RETURNS".

BESIDES THE OBVIOUS DIFFERENCES BETWEEN REAL AND PERSONAL PROPERTY, THERE ARE SPECIAL PROBLEMS ASSOCIATED WITH EQUITY AND UNIFORMITY BETWEEN THEM. REVALUATIONS CONDUCTED IN MOST COUNTIES TARGET REAL PROPERTY, BUT HAVE NOT INCLUDED ANY REVIEWS OF THE PERSONAL PROPERTY WITHIN THE COUNTY. AN AUDIT SIMPLY COMPARES WHAT THE BUSINESS RETURNED TO THE FINANCIAL ACCOUNTING RECORDS OF THE COMPANY AND WHAT THEY OWE. AN AUDIT PROGRAM HELPS THE ASSESSORS' OFFICE TO ASSURE THAT "EQUAL TREATMENT" IS PROVIDED TO ALL TAXPAYERS BY PROVIDING A COMPLIANCE SERVICE IN WHICH ALL ACCOUNTS ARE REVIEWED. WHETHER YOU ARE A SMALL LOCAL COMPANY OR A LARGE BUSINESS CHAIN OF OPERATIONS, EVERY TAXPAYER IS TREATED THE SAME UNDER THE LAW. DURING THE PROCESS, THE COUNTY STAFF RETAINS COMPLETE CONTROL OF THE PROGRAM, BY KNOWING WHO IS BEING REVIEWED, WHEN THE APPOINTMENT IS SCHEDULED, THE OUTCOME OF THE REVIEW AND THE COMPLETE AUTHORITY OVER THE VALUE DISCOVERED.

### **3. PERTINENT GA STATUTES**

#### **O.C.G.A. 48-5-16**

REQUIRES THAT PERSONAL PROPERTY USED IN CONNECTION WITH A BUSINESS BE RETURNED IN THE COUNTY WHERE THE MAIN OFFICE IS OR WHERE IT IS MORE OR LESS PERMANENTLY LOCATED.

#### **O.C.G.A. 48-5-298**

(A) "... EACH COUNTY BOARD OF TAX ASSESSORS, SUBJECT TO THE APPROVAL OF THE COUNTY GOVERNING AUTHORITY, MAY ENTER INTO EMPLOYMENT CONTRACTS WITH PERSONS TO: (3) SEARCH OUT AND APPRAISE UNRETURNED PROPERTIES TO THE COUNTY.

**(C) A COUNTY BOARD OF EDUCATION OR INDEPENDENT BOARD OF EDUCATION MAY EXPEND FUNDS TO ASSIST IN PAYING THE EXPENSES INCURRED IN DISCOVERING UNRETURNED PROPERTIES...”**

**O.C.G.A. 48-5-299(A)**

**“IT SHALL BE THE DUTY OF THE COUNTY BOARD OF TAX ASSESSORS TO INVESTIGATE DILIGENTLY AND TO INQUIRE INTO THE PROPERTY FOR THE PURPOSE OF ASCERTAINING WHAT REAL AND PERSONAL PROPERTY IS SUBJECT TO TAXATION ... AND TO REQUIRE THE PROPER RETURN OF THE PROPERTY...”**

**4. FINANCIAL BENEFITS**

**SOME GA COUNTIES ARE EXPERIENCING REVENUE SHORTFALLS AND ARE CUTTING BACK ON STAFFING AND OPERATIONS. AN AUDIT PROGRAM INCREASES THE TAX BASE BY CORRECTING THE UNDER ASSESSED PROPERTIES AND PROVIDING THE CORRECT FAIR MARKET VALUES FOR AN EVEN DISTRIBUTION OF THE TAX BURDEN ACROSS THE COUNTY. THIS ALSO BUILDS THE TAX BASE FOR FUTURE YEARS. MANY EXEMPTIONS AND PREFERENTIAL ASSESSMENTS HAVE REDUCED THE TAX BASE OF MOST GEORGIA COUNTIES OVER THE LAST 10-15 YEARS. DURING AN AUDIT PROGRAM, THE DISCOVERY OF UNREPORTED PROPERTY GENERATES ADDITIONAL TAX DOLLARS AS IMMEDIATE REVENUE FOR YOUR COUNTY. IN MOST CASES, THE FEES FOR THE VERIFICATION PROGRAM ARE LESS THAN ONE-THIRD OF THE OVERALL AMOUNT OF TAX DOLLARS GENERATED. MOST IMPORTANTLY, EQUITY AND UNIFORMITY ARE PRODUCED BETWEEN REAL PROPERTY AND PERSONAL PROPERTY. AN AUDIT PROGRAM PROVIDES AN ACCURATE BUSINESS PERSONAL PROPERTY TAX BASE FOR THE CURRENT YEAR, AS WELL AS CORRECT INFORMATION IN WHICH TO MOVE FORWARD.**

## **5. THE SIMPLIFIED PROCESS OF AUDITING**

**FIRST OF ALL, WE DO NOT VERIFY THE ACCURACY OF THE TAXPAYER'S FILED TAX RETURN.** THROUGH OUR REVIEW WORK WE ULTIMATELY PREPARE PERSONAL PROPERTY RETURNS AS THEY SHOULD HAVE BEEN FILED FOR EACH OF THE YEARS UNDER REVIEW BASED ON CURRENT GEORGIA LAW.

SECOND, FOR THE TAX YEARS UNDER REVIEW, WE ACTUALLY CONDUCT A **"FINANCIAL REVIEW"** OF THE COMPANY'S FINANCIAL RECORDS WHICH SUPPORT THE ACTUAL FIXED ASSETS, INVENTORIES, CIP AND ON-HAND SUPPLIES. HERE WE TRY TO UTILIZE THE FINANCIAL RECORDS OF THE COMPANY WHICH MAY INCLUDE **DETAILED FINANCIAL STATEMENTS, THE CORPORATE GENERAL LEDGER OF ACCOUNTS, WORKING TRIAL BALANCES OF ACCOUNTS, AND THE DETAILED ACCOUNTING SYSTEM REPORTS,** WHICH UNDERLIE ALL OF THE FINANCIAL ACTIVITY OF THE COMPANY. THE COMPANY'S INCOME TAX RECORDS WERE REMOVED WITH THESE KEY FINANCIAL DOCUMENTS AROUND 1997 DUE TO A GWINETT COUNTY ISSUE IN WHICH ALL TAXPAYERS WERE ASK/REQUIRED TO PROVIDE FEDERAL INCOME TAX RECORDS DO TO A REAL ESTATE REVAL...BAD MISTAKE THAT COST ALL GA COUNTIES AUDIT PROCEDURES A VERY VALUABLE PIECE OF INFORMATION. EVEN WITHOUT THIS VITAL INFORMATION, WE ATTEMPT TO FULLY IDENTIFY ALL OF THE ASSETS SUBJECT TO BPP TAXATION AND ACCORDINGLY CALCULATE AN ACCURATE FAIR MARKET VALUE OF THE SAME FOR EACH TAX YEAR UNDER REVIEW. OFTEN TIMES WE STILL GET THEIR INCOME TAX RETURNS BY JUST ASKING...THEN WE DISCUSS WITH THE TAXPAYER ANYTHING THAT THEY BELIEVE TO BE EXEMPT.

**THIRD, ONCE WE HAVE CALCULATED THE FAIR MARKET VALUE OF THE SUBJECT ASSETS, WE THEN COMPARE THESE VALUES TO THE ACTUAL VALUES RECORDED ON THE COUNTY'S TAX DIGEST FOR EACH TAX YEAR.** ANY DIFFERENCES NOTED BETWEEN THESE TWO SETS OF VALUES THEN

RESULTS IN A "FAIR MARKET VALUE VARIANCE" [AN UNDER VALUING OF REPORTED ASSETS] OR IN A "CREDIT" [AN OVER VALUING OF REPORTED ASSETS]. THE VARIANCE RESULTS IN A CHANGE OF ASSESSMENT NOTICE WHICH WILL CAUSE ADDITIONAL TAX TO BE BILLED OR THE CREDIT RESULTS IN A CHANGE OF ASSESSMENT WHICH RESULTS IN A TAX REFUND, PROVIDED THE TAXES WERE INDEED PAID.

**FOURTH**, WE EDUCATE THE TAXPAYER ON HOW TO COMPLETE FORMS AND PROVIDE THEM WITH THE MOST COMPLETE AND UP-TO-DATE INFORMATION CONCERNING BUSINESS PERSONAL PROPERTY TAXES THAT WE CAN. WE FEEL THE MORE THEY KNOW AND UNDERSTAND ABOUT THE CORRECT PROCEDURES, THE MORE ACCURATE AND COMPLETE THE TAX RETURN WILL BE TO YOU, THE COUNTY.

## **6. PUBLIC RELATIONS**

AN AUDIT PROGRAM STRESSES EQUITY AND SENSITIVITY. LIKE OUR FIRM, MOST AUDIT COMPANIES HAVE STAFF THAT HAS AT ONE TIME IN THEIR CAREER, WORKED FOR A COUNTY GOVERNMENT ASSESSORS' OFFICE. WITH THIS EXPERIENCE, THEY ARE VERY AWARE OF THE DELICATE NATURE OF AN AUDIT PROGRAM AND UNDERSTAND THE NECESSITY OF PROFESSIONALISM. PUBLIC RELATIONS ARE AN ONGOING PROCESS FROM NEWSPAPER ARTICLES TO PUBLIC SPEAKING AT LOCAL CIVIC ORGANIZATIONS AND CONTINUING WITH TAXPAYER CONTACT.

AUDIT COMPANIES MUST COMPLY WITH ALL OF THE GEORGIA STATUTES WITHIN THE OFFICIAL CODE OF GEORGIA ANNOTATED. WE SIGN AND CARRY WITH US A NOTARIZED FORM DOCUMENTING WE HAVE READ AND UNDERSTAND THE 48-5-314 STATUTE OF "CONFIDENTIALITY OF TAXPAYERS RECORDS." SINCE WE ARE AN AGENT OF THE COUNTY, WE STRIVE TO MAKE SURE THE AUDITS ARE NOT ADVERSARIAL IN NATURE. WE WORK WITH THE

**TAXPAYER TO ACHIEVE A BALANCE OF HARMONY AND GOOD UNDERSTANDING IN THE WORK WE ARE REQUIRED TO DO.**

## **7. STAFF TRAINING**

**MOST AUDIT PROGRAMS INVOLVE COUNTY STAFF TRAINING. WE OFFER BENEFICIAL TRAINING FOR THE COUNTY'S PERSONAL PROPERTY STAFF IN ADDITION TO PROVIDING AUDIT SERVICES. WE ALSO PROVIDE ON THE JOB TRAINING TO ANY OF THE COUNTY STAFF ON ALL ASPECTS OF THE PROGRAM. THIS WILL BE ACCOMPLISHED BY USING THE HANDS ON APPROACH WHILE PERFORMING LOCAL AUDITS. WE WILL ALSO TRAIN YOUR STAFF TO PERFORM OUT OF TOWN AUDITS ON A LOCAL BASIS SO THAT AN IN-HOUSE PROGRAM CAN BE ESTABLISHED THAT WILL BE FULLY OPERATIONAL AND INDEPENDENT. THIS IS BENEFICIAL AND COST EFFECTIVE, ESPECIALLY WITH THE SMALLER ACCOUNTS. OFTEN TIMES, WITH THE SMALL BUSINESSES, IT IS LESS INTIMIDATING FOR A LOCAL APPRAISER TO REVIEW THEIR RECORDS INSTEAD OF AN OUTSIDE FIRM.**

**AN OUTSIDE AUDIT FIRM CAN CUSTOMIZE TO SUIT YOUR COUNTY'S NEEDS. THEY CAN DO JUST ONE AUDIT IF EXPERTISE IS NEEDED ON A DIFFICULT ACCOUNT OR WITH AN ADVERSARIAL TAXPAYER. ALSO, EVERY SINGLE ACCOUNT CAN BE AUDITED IF YOUR COUNTY HAS LIMITED STAFF AND RESOURCES. THEY CAN ALSO PROVIDE AN EXPERT WITNESS FOR APPEALS.**

**THE PERFECT SCENERIO FOR AN OUTSIDE FIRM WOULD BE TO AUDIT ALL THE ACCOUNTS OVER \$250,000 IN FMV, A LARGE PERCENTAGE OF ACCOUNTS FROM \$50,000 TO \$250,000 IN FMV, AND TRAIN YOUR STAFF TO DO THE REMAINDER OF THE ACCOUNTS. BOTTOM LINE IS, EACH COUNTY IS UNIQUE AND A PROGRAM MUST BE CUSTOMIZED TO MEET THESE INDIVIDUAL NEEDS.**

**“ROTARY FOUR WAY TEST” – “SERVICE ABOVE SELF”**

**IF YOU ARE CONSIDERING AN AUDIT PROGRAM, WHETHER OUT SOURCED OR IN-HOUSE, ASK YOURSELF THESE FOUR QUESTIONS,**

**1. IS IT THE TRUTH?**

**2. IS IT FAIR TO ALL CONCERNED?**

**3. WILL IT BUILD GOOD WILL AND BETTER FRIENDSHIPS?**

**4. WILL IT BE BENEFICIAL TO ALL CONCERNED?**