



Finance Director  
636-537-4726

## M E M O

DATE: September 10, 2020  
TO: Mike Geisel, City Administrator  
FROM: Jeannette Kelly, Finance Director *J. Kelly*  
RE: Franchise Tax Audit Recommendation

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As you may recall, during the March 3, 2020 Finance and Administration Committee meeting, the Finance Department was asked to research vendors to audit the Utility Tax Revenues due to decreasing trends.

We contacted two companies (Azavar and TriStem) to discuss their capabilities with regards to auditing Franchise Fees including utility tax revenues, Sales Taxes and Utility Bills. Azavar, a Chicago company, is currently working with the City of Frontenac on a utility tax audit, however, it is too early to know the results of the audit. TriStem, a Dallas company, has worked with several municipalities outside of Texas including Overland Park, Kansas.

Both companies have a comprehensive review process and work on a contingency basis. Therefore, we only pay their company when we receive the lost monies from the vendor(s). Both companies will review historical transactions and ensure the errors have been corrected moving forward; however, they recommend future audits every 5-7 years.

Although TriStem's contingency percentage is higher, they do not charge this fee for the three years after the initial correction. Azavar charges the fee for the subsequent 36 months. Per the attached analysis, assuming \$40,000 of revenues are identified in the historical review and \$10,000 in each of the subsequent years, TriStem's contingency fee is \$16,000 compared to Azavar's fee of \$25,900. After the attached proposals were reviewed, our **recommendation is to proceed with the Franchise Tax Audit with TriStem**. Upon successful completion of the audit, we would consider auditing other areas.

If you would like to discuss this further, please let me know.

*Forward to F&A Committee for further review  
& direction  
MOZ 9/15/2020*

## Franchise Tax Audit Review

| Criteria                  | Azavar (Chicago, IL)   | TriStem (Dallas, TX)  |
|---------------------------|--|---|
| Historical Years Reviewed | 4 years  | Minimum of 4 years (up to 10 years depending on state statute)  |
| Contingency %             | 37%  | 40%   |
| Future Payments           | Must pay contingency fee for 36 months after initial correction (all audits) | 12 months following first savings (only for Utility Bill audits - not on Franchise Fee or Sales Tax audits) |
| Franchise Fee Audits      | Yes  | Yes   |
| Sales Tax Audits          | Yes  | Yes   |
| Utility Bill Audits       | Yes  | Yes   |

**Example: Assumes \$100,000 of historical revenues identified during audit of Franchise Fees**

|                                  | Azavar           | TriStem          |
|----------------------------------|------------------|------------------|
| <b>Additional Revenue Stream</b> |                  |                  |
| Historical                       | 40,000.00        | 40,000.00        |
| Year 1 after audit               | 10,000.00        | 10,000.00        |
| Year 2 after audit               | 10,000.00        | 10,000.00        |
| Year 3 after audit               | 10,000.00        | 10,000.00        |
| <b>Total Revenues Identified</b> | <b>70,000.00</b> | <b>70,000.00</b> |

| <b>Contingency Fee</b>       |                  |                  |
|------------------------------|------------------|------------------|
| Historical                   | 14,800.00        | 16,000.00        |
| Year 1 after audit           | 3,700.00         | -                |
| Year 2 after audit           | 3,700.00         | -                |
| Year 3 after audit           | 3,700.00         | -                |
| <b>Total Contingency Fee</b> | <b>25,900.00</b> | <b>16,000.00</b> |

| <b>Net Revenues Received from Audit</b> |                  |                  |
|---|------------------|------------------|
| Historical                              | 25,200.00        | 24,000.00        |
| Year 1 after audit                      | 6,300.00         | 10,000.00        |
| Year 2 after audit                      | 6,300.00         | 10,000.00        |
| Year 3 after audit                      | 6,300.00         | 10,000.00        |
| <b>Total Net Revenues</b>               | <b>44,100.00</b> | <b>54,000.00</b> |

**Reduce your  
bottom line...**

ELECTRIC

STREET LIGHTS

GAS

TELECOM

WATER / SEWER

WASTE

FRANCHISE FEES

**There may be hidden  
revenue in your  
utility bills!**

*"Tri-Stem has been one of the best things that has happened to the City of Brownwood in a long time. They have helped us to recover over-billings in electricity and communication charges and savings going forward that were very significant. They have been very professional, diligent and hard-working. We could not be more pleased with our relationship."*

Walter Middleton, Finance Director  
City of Brownwood, TX



UTILITY COST RECOVERY & SAVINGS EXPERTS

**1-800-234-7937**

**[www.tristem.com](http://www.tristem.com)**

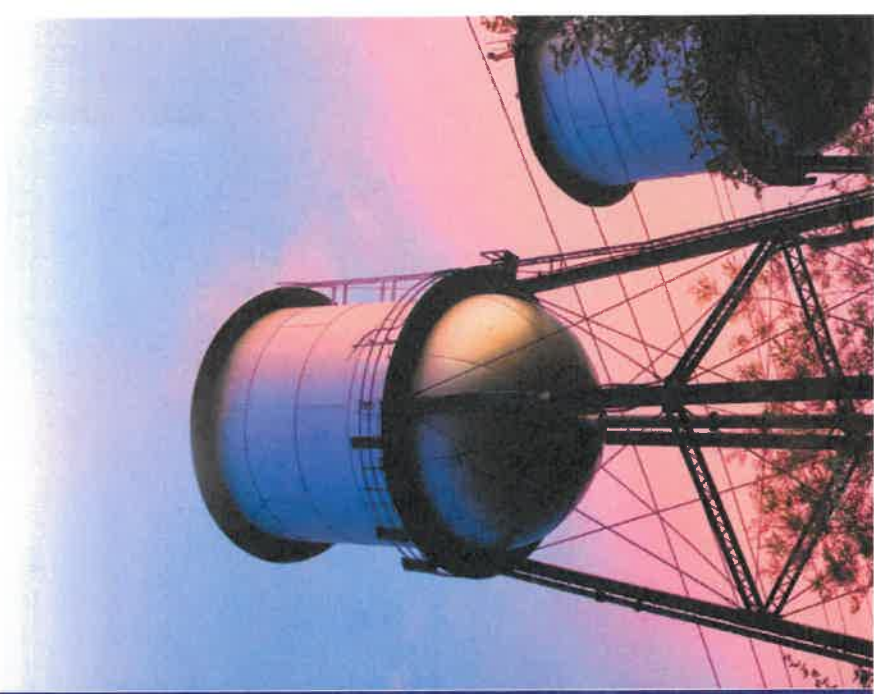
635 N. Robinson Dr., Suite G  
Robinson, TX 76706

**[info@tristem.com](mailto:info@tristem.com)**

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Recovered & Saved**  
Established 1979



UTILITY COST RECOVERY & SAVINGS EXPERTS





# Why Hire TriStem:

TriStem has 40+ years of experience advocating for utility consumers and auditing utility bills. Other utility bill audit firms come to us for our expertise. Hundreds of hours are spent analyzing documents in-house. Depending on the suspected errors, several days to multiple weeks are spent in the field to verify billing records. When you hire TriStem, you are getting a valuable service not found anywhere else. **Software programs that claim to audit your bills do not come close to our results.** Refund & savings opportunities we find for our clients include:

- Meter Read Errors
- Contractual Billing Errors
- Clerical Billing Errors, Decimal Errors
- Taxes and Fees Billed in Error
- Street and Guard Light Billing Errors
- Incorrect Rates
- Account Reconciliation
- Power Factor Correction

# Utility Audit Benefits:

Our contingent fee structure allows you to contract with our company with no upfront cost. You will receive refunds for errors found on past bills while the corrections we implement will save your organization money on future utility bills. You will have a better grip on your bills and have peace of mind that you are being billed correctly. **If we don't find any errors or savings opportunities, there is no fee for our services.**

**Our FREE PREVIEW will give you insight on refund and savings opportunities!**

# Our Results:

Case Study Refunds Savings

## Schools

|                       |             |           |
|-----------------------|-------------|-----------|
| Dallas ISD            | \$129,415   | \$16,761  |
| DeSoto ISD            | \$32,134    | \$5,635   |
| Los Fresnos CISD      | \$128,145   | \$130,000 |
| Texas Tech University | \$1,044,000 | \$100,000 |

## Hospitals

|                                     |           |          |
|-------------------------------------|-----------|----------|
| Coryell Memorial Hospital Authority | \$127,888 | \$38,528 |
| Dallas Nephrology                   | -         | \$51,848 |
| Pecos County Memorial Hospital      | \$47,306  | \$13,818 |

## Municipalities

|                      |             |           |
|----------------------|-------------|-----------|
| Fort Stockton, TX    | \$944,261   | \$120,000 |
| Galveston County, TX | \$83,730    | \$13,545  |
| Harris County, TX    | \$383,730   | \$13,834  |
| Jefferson Parish, LA | \$215,894   | \$16,530  |
| Saint Louis, MO      | \$1,878,031 | \$300,890 |
| Savannah, GA         | \$550,000   | \$200,000 |

## Manufacturers

|                               |          |          |
|-------------------------------|----------|----------|
| ETS Lindgren                  | \$13,096 | \$12,251 |
| Thermoform Engineered Quality | \$26,923 | \$33,000 |

## Non - Profits/Hotels

|                                 |          |          |
|---------------------------------|----------|----------|
| Energy Lodge                    | \$59,546 | \$16,228 |
| First Baptist Church of McAllen | \$21,356 | \$5,000  |

# Our Clients:

- Government Entities
- Schools
- Colleges & Universities
- Churches
- Non - Profits
- Hospitals
- Hotels
- Manufacturers
- Other Businesses



UTILITY COST RECOVERY & SAVINGS EXPERTS

1-800-234-7937  
www.tristem.com



## Franchise Fee Audit Services

### Core Objectives of a TriStem Franchise Fee Audit

A franchise fee audit can be an asset to any municipality that collects franchise fees. TriStem strives to accomplish the following objectives for each of its clients during a franchise fee audit:

- Save your organization's valuable time by conducting a comprehensive audit on your behalf.
- Add your organization's bottom line by securing funds owed by utility providers for prior franchise fee tax periods.
- Enhance future revenue – correction of utility's prior errors results in increased franchise fee tax payments to you in the future.
- Educate your organization on utility practices and regulations applicable to your specific region, providing your staff with knowledge to prevent future utility errors after our audit has been completed.

TriStem values the importance of customer service and will tailor our franchise fee audit to address specific concerns or needs of each client.

### TriStem will conduct a thorough investigation of utility franchise agreements by:

- Reviewing service locations to ensure all franchise fee tax addresses are accounted for.
- Recovering underpayments for prior periods, up to the maximum period allowed by state law.
- Ensuring franchisees correct algorithms for future franchise fee tax disbursements.

Our franchise fee audit staff has been trained by a CGFO with a complete understanding of the needs of elected officials and City staff, having served in the government sector for over 20 years including positions as Finance Director and Mayor.

### Franchise Fee Audit Process

1. The local ordinance and state laws will be reviewed to ensure we understand the algorithms for each type of franchise fee.

2. While reviewing these documents, the City will be asked to provide:

- Name and related information of City's contact person for each franchisee
- Signed LOA
- List of all IN City addresses (obtained from City's utility dept or County appraisal district)

3. Next we will send out LOA & Requests for Data to Franchisees including:

- A detailed calculation on how each franchise provider calculates the tax.
- A detailed list of customers used in the calculation (by the service address) for the years in question.

4. Upon Receipt of Requested Data:

- Recalculate payments based on the state law and city ordinances to ensure that each franchisee's algorithm has been correctly applied.
- Cross reference all addresses within the service zip code to ensure that "non-city" accounts are coded correctly.

5. After identifying list of addresses in question, we will coordinate with the franchisee on the calculation of accounts that were erroneously omitted. This will happen concurrently with correction any calculation errors.

6. Negotiate with franchisee on the amount due and coordinate payment to City.

7. City is paid for back franchise fees based on data corrections or formula areas, for the full period allowed by law.

#### **What Will a Franchise Fee Audit Cost the City?**

Our franchise fee audits are contingent fee based – if you don't receive actual funds from your franchised utility providers as a result of our service, you owe us nothing. Our only fee is a percentage of actual funds secured for prior errors. Any savings that occur in the future as a result of our service are 100% yours to keep after the first 12 months.

#### **Why Should the City Choose TriStem for a Franchise Fee Audit?**

TriStem has been working as an advocate for commercial utility consumers across the U.S. for nearly 40 years – no other company can match our experience or expertise.

TriStem has completed successful franchise tax audits for other municipal consumers, including: City of Nacogdoches, City of Harker Heights, City of Glenn Heights, City of Comanche, City of Breckenridge, City of Killeen, and City of Copperas Cove.

## **Sales Tax Audit Process**

### **Stage 1: Data collection**

The first stage of the audit is the data collection stage. We will request data from the client along with data from the Texas state comptroller.

Items needed from Client:

- Letter of Agency
- Sales Tax Revenue ledger for past 4 years.
- List of recent annexations
- Maps of current taxing district boundaries

Data Requested from State Comptroller:

- Address data for incorporated and unincorporated registered sales tax taxpayers within the counties that the City resides.

Data Requested from Texas Secretary of State:

- Registered businesses withing the taxing district

### **Stage 2: Data Analysis**

During the second stage of the audit, we will analyze the data obtained from both the client and the state comptroller. We will verify that every business within the taxing jurisdiction limits is remitting the proper amount of sales tax to the taxing entity. We will compare addresses using ArcGIS and ensure that each address is mapped properly. Each address will be compared to the taxing jurisdiction boundaries.

During this stage we will also identify non-compliant businesses by comparing the list of registered businesses from the Texas Secretary of State office to the registered sales tax payers list from the State Comptroller

- A. Identification of mis-coded addresses**
- B. Identification of non-compliant businesses**

### **Stage 3: Claims and Corrections**

During stage 3, we will contact that state comptroller to correct any miscoded addresses and ensure that the addresses are included in future sales tax revenue remittances to the client. We will also request for past un-paid sales tax amounts to be reallocated to the client.

We will assist non-compliant businesses in preparation and filing of amended returns and in making payments in accordance to applicable tax laws, regulations and associated interpretation for all open tax periods.

We will assist businesses in correcting registration information for taxes reported incorrectly to another jurisdiction and provide documentation to the Comptroller's office to request reallocation of remittances and the transfer of funds to the client that were reported in error to another jurisdiction or that were otherwise misappropriated.

### **Reporting**

During the audit, we will provide quarterly status reporting on the sales/use tax review initiative. The reports will include the tasks accomplished along with the goals moving forward for each audit stage. Quarterly reports will also include total reimbursement and savings amounts obtained due to the corrections that have been or will be made.





## UTILITY BILL AUDIT PROJECT APPROACH

TriStem strives to accomplish the following objectives for each of its clients:

1. **Save** your organization's **valuable time** by conducting a comprehensive audit on your behalf;
2. **Enhance** your organization's **revenue** by securing refunds of overbilled utility services;
3. **Reduce future expenses** by correcting ongoing errors and implementing savings opportunities;
4. **Educate** your organization on utility billing practices and regulations applicable to your specific region and business, providing your staff with knowledge to identify future billing errors and savings opportunities after our audit has been completed.

*TriStem values the importance of customer service, and will tailor our audit to address specific concerns or needs of each client.*

Our staff has over 100 years combined experience in auditing electric, natural gas, water, sewer, telecommunications and waste accounts for commercial consumers to find "anything and everything" that could cause your organization to overpay for these vital services. We cannot predict what we might find; however, there are some basic procedures that TriStem follows for every audit to ensure the best outcome.

TriStem will obtain a copy of one invoice for each account to be audited, along with supplemental information on your service locations necessary to perform the audit. We obtain historical billing and usage data from your provider(s). We analyze these records as well as utility tariffs, service contracts and all applicable state and local laws. During the audit, TriStem locate and document overcharges and other billing errors, and determine if rate adjustments or other cost savings opportunities exist.

TriStem will work directly with the utility companies to obtain the proper remedy for all documented overcharges. The client can be involved in this process to the degree it chooses. Our job is not complete until you have received all applicable refunds, billing corrections, and approved savings. For any particular billing error, a claim for recovery will be filed as soon as that overcharge can be documented. Throughout the audit process, TriStem will communicate with the client to keep them up-to-date on what errors are found and what steps TriStem is taking to resolve the errors. This includes periodic reports (via emails, letters, meetings and/or phone) and frequent communication as needed.

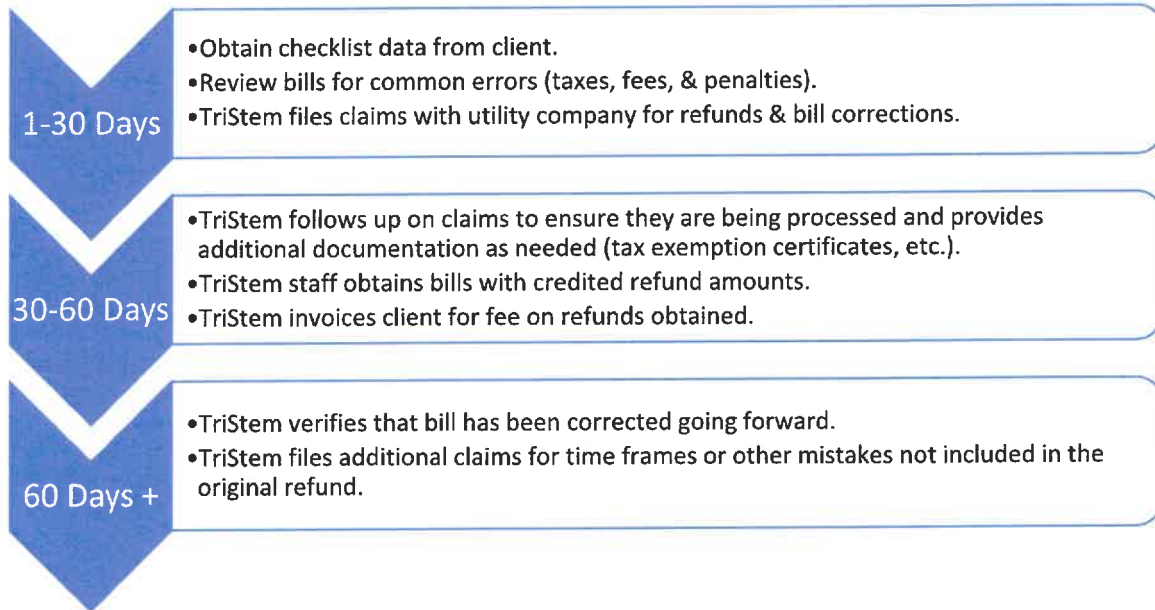
After our Clients send some basic information such as a copy of one months' bill for each account, a Letters of Authorization, copies of any contracts with your providers, and a few other pieces of information we get to work for you!

### **Work Plan**

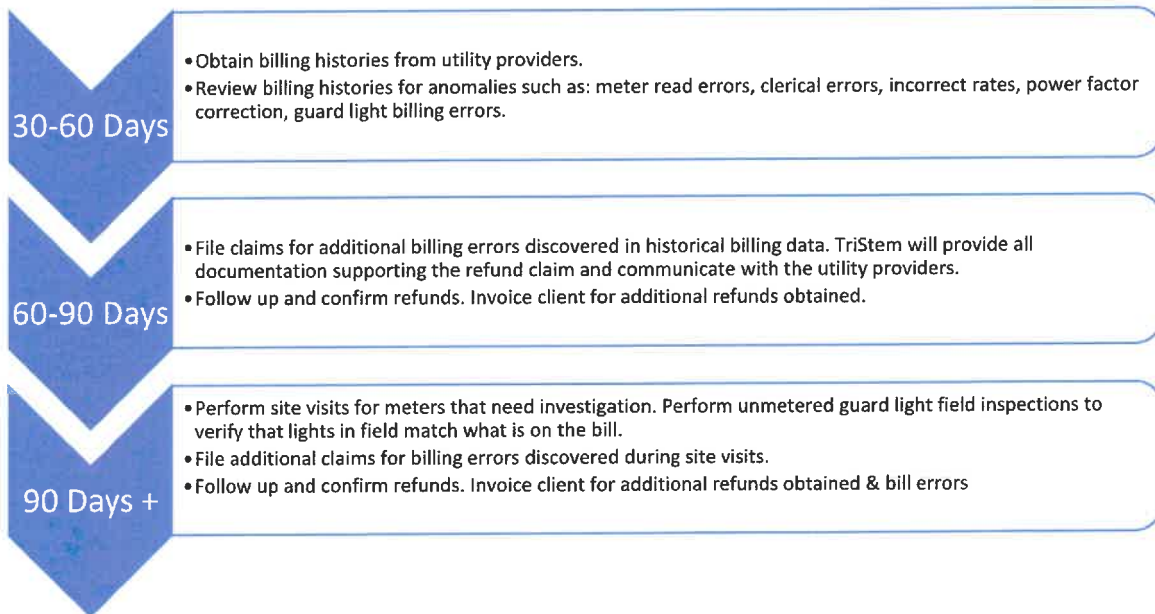
TriStem will review your organization's account history of usage and charges to determine if errors or savings opportunities exist. The following is a detailed summary of the various stages of TriStem's process:

- 1. Data Collection** - Obtain necessary documents and information from Client.
- 2. Initial Review** - Perform brief review of all bills received to detect common errors and savings opportunities. We correct errors we find and facilitate refunds as we go along.
- 3. Database Compilation** – We prepare a database of your information and run our proprietary audit routines to assist us in detecting errors. *This database will be provided to the client upon completion of the audit as a basis for future account tracking.*
- 4. Acquisition of Documents from Utility Providers** - This will take place concurrently with the Database Compilation stage.
- 5. In-Depth Analysis** - Our goal during this stage is identifying any errors or savings opportunities, including, but not limited to: meter read errors, charges billed for incorrect or non-existent equipment, meter malfunctions, incorrect meter constants, clerical billing errors, billing for services belonging to others, alternative rates and riders, unneeded services, discounts not applied, etc.
- 6. Acquisition of Supplemental Information** - Consult with client and/or utility providers regarding any accounts where verification of service characteristics is needed in order to determine billing accuracy and cost savings possibilities. When investigating possible billing errors, TriStem may need to contact certain client personnel regarding facility use and operations, such as facility managers, maintenance managers, or anyone else familiar with the facilities we are investigating.
- 7. Refund Claims/Recovery and Cost-Savings Measures** - Submit refund claims (with backup documentation) and communicate with utility providers to accomplish correction and refund of verified account errors. Submit requests to utility providers for client-approved account changes to reduce future expense. The date that a claim for refund is filed is dependent upon what we find in your bills. In each case, our clients receive copies of all claims. TriStem will take the lead role in the recovery stage and stay on the claim until the proper recovery has been obtained. The client may be involved to the degree it chooses.
- 8. Field Work** - For accounts requiring on-site inspection to determine billing/metering accuracy, TriStem will make arrangements with the client to perform field work to view meters, transformers, and any other equipment or facilities whose operational characteristics play a role in the monthly billing. For telecommunications audits, a site visit may be scheduled earlier in the audit process to physically inspect your phone system and network setup.
- 9. Final Report** - After the audit is complete, all account errors have been corrected, approved savings recommendations have been implemented, and all refunds issued, TriStem will submit a final report to the client to summarize work performed.

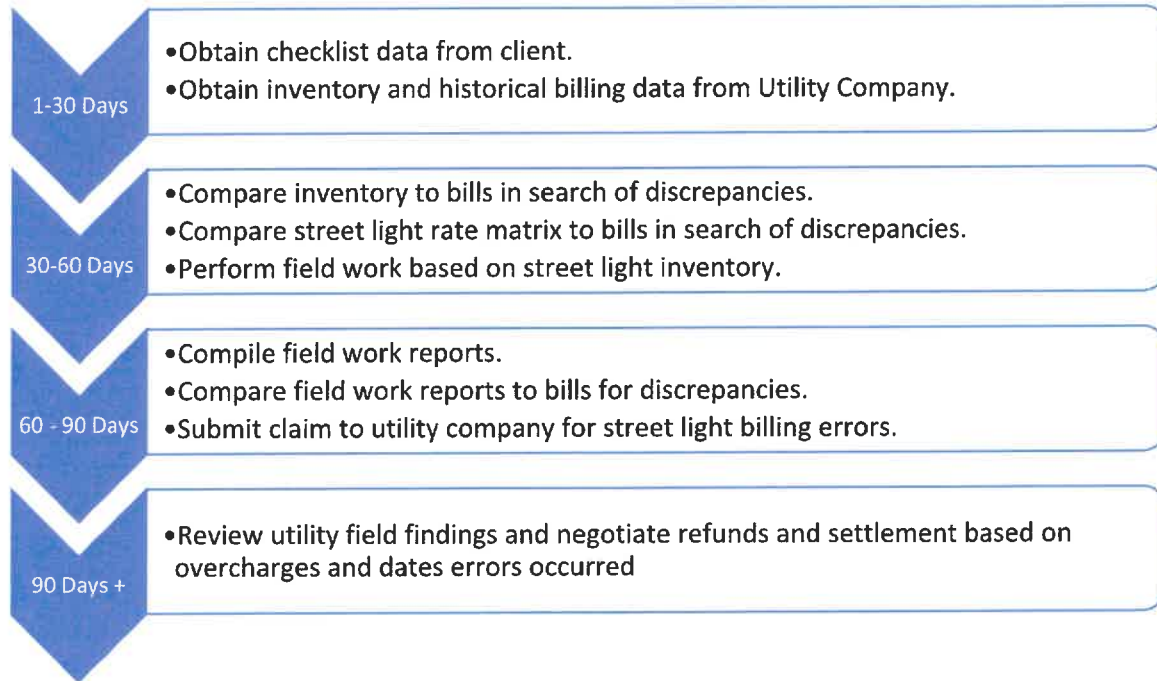
## Utility Bill Audit Stage 1 - Initial Review



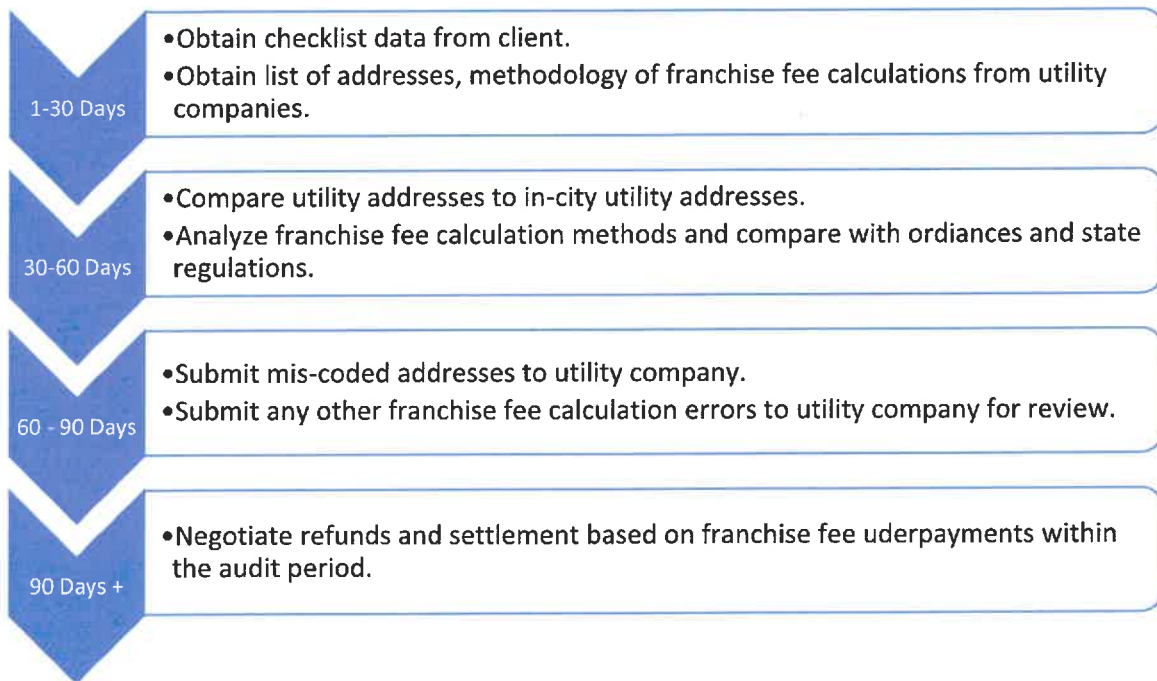
## Utility Bill Audit Stage 2 - In-Depth Review



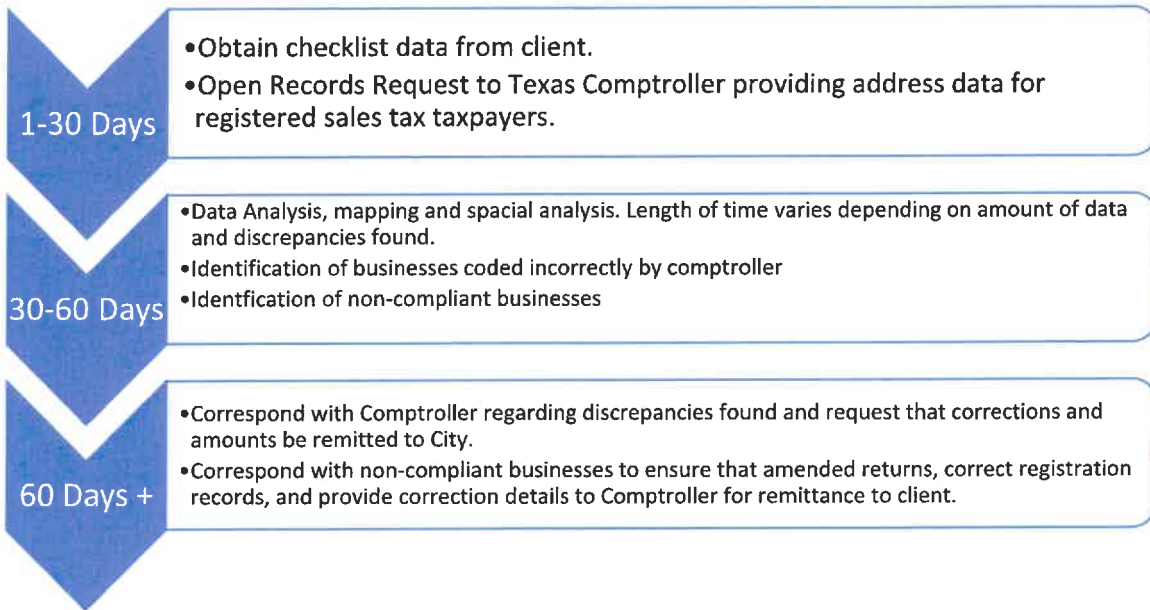
## Street Light Audit



## Franchise Fee Audit



## Sales Tax Audit Timeline




Thu 9/10/2020 8:46 AM

SD

Scott, Dave <dave.scott@opkansas.org>

Re: FW: TriStem

To: Jeannette Kelly

 You replied to this message on 9/10/2020 8:51 AM.

[Click here to download pictures.](#) To help protect your privacy, Outlook prevented automatic download of some pictures in this message.

Jeannette-

Here are my responses -

- Describe the process and time frame of the audit (number of years audited and time period it took to complete the audit) Overland Park had them engaged twice over a 7 -8 year period, both time performing franchise tax audits. Each audit covered a 2 - 3 year period. Their part of the audit is done in a timely manner (6 - 7 weeks) however the utility company dragged their feet in providing them the answers to TriStems questions. TriStem was persistent.
- Were there any issues, delays, or confusion with working with TriStem specific to Kansas rules/regulations since they are based in Texas? No, it was a franchise tax audit
- Would you use TriStem in the future (for either franchise fee audits, sales tax audits, or utility bill audits)? Why? Yes, they are easy to work with, only require a little bit of staff time and they are effective.
- What is the one thing you wish you would have known prior to engaging TriStem to perform the audit? We should have started having these types of the audits earlier.

Dave

## 2. Overland Park, KS

Franchise Fee Refunds Secured: \$57,297.75

Annual Increase in Franchise Fee Revenue: \$15,626.66

Project Manager: Courtney Lopez

Audit Completion Date: 2018

Reference Contact Information:

Sheri Idle

Internal Auditor

[sheri.idle@opkansas.org](mailto:sheri.idle@opkansas.org)

Phone: (913) 895-6164

TriStem's work for Overland Park commenced in 2016 and included only Cable franchise fees. After several attempts to obtain data from Time Warner Cable, we began the analysis. Upon submitting our findings to Time Warner, we were told that the data we had obtained was not accurate. At this time Time Warner had been bought out by Charter Communications. Charter provided us with the correct franchise fee payment data and calculations. We subsequently performed an analysis of the data provided to us by Charter Communications and discovered \$57,297.75 in underpayments made by the company. Our findings are a testament to our will to persevere through obstacles and our dedication to our clients. Even though we were provided with a set of faulty data, we continued the audit and were determined to obtain the correct data and perform the audit accordingly.



# *City of St. Louis*

FRANCIS G. SLAY  
MAYOR

## DEPARTMENT OF THE PRESIDENT BOARD OF PUBLIC SERVICE

305 CITY HALL  
ST. LOUIS, MISSOURI 63103  
(314) 622-3535

RE: TriStem, Ltd.

To Whom It May Concern:

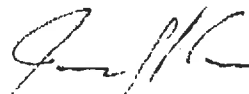
This letter concerns TriStem, Ltd. The City of St. Louis engaged TriStem to perform an audit of the City's electric and gas utility billings by the local utility providers. During this engagement the City has found TriStem to be a highly reputable company. TriStem's staff possesses a broad knowledge of utility operations, rates, pricing and billings practices. Their staff also exhibits a high standard of professionalism in the performance of their audit work including their ability and expertise to negotiate on behalf of the City to recover refunds from billing errors by the utility company.

To date the audit has covered over 1300 billed accounts including unmetered street and alley lighting. TriStem has the expertise to uncover and resolve complicated billing errors along with the ability to explain these issues to City personnel and to present full documentation to the utility company. In the course of this audit TriStem has worked with City staff to update the City's inventory of all street and alley lights billed by the local electric utility company.

Thus far, the City has been issued two large refund checks with other refunds pending. We now pay less for electricity today than in the past. Of course, the true beneficiaries of TriStem's work are the citizens of St. Louis.

The City is extremely pleased with TriStem's work product and their efforts to bring this audit to a successful conclusion.

Sincerely,



Joseph K. Kuss, P.E.  
Deputy City Engineer

JKK:dp



## CONSULTING AGREEMENT

THIS AGREEMENT, entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_, hereinafter referred to as CLIENT, and TRISTEM, LTD., hereinafter referred to as TRISTEM or CONSULTANT, and covers the relationship of CONSULTANT and CLIENT.

### Utility Bill Audit

TRISTEM will conduct an audit of prior utility billing and payments to determine that amounts billed by vendors have been accurate. TRISTEM will also determine if there are alternative rates or other mechanisms that would result in savings for CLIENT's accounts. TRISTEM will notify CLIENT of the results of the audit, will seek to obtain refunds from vendors for any past overbillings which have occurred, and will work to implement all CLIENT approved savings measures. As a fee for these services, CLIENT agrees to pay TRISTEM 40% of any refunds CLIENT receives from its utility providers as a result of TRISTEM'S services or audit process, or any part thereof, plus 40% of any approved and implemented savings (billing reductions) resulting from TRISTEM'S work for a period of twelve (12) months beginning with the first month during which savings are realized.

### Franchise Fee Audit

TRISTEM will conduct an audit of prior utility franchise fee payments made to the CLIENT to determine that amounts paid by utility vendors have been accurate. TRISTEM will notify CLIENT of the results of the audit, will seek to obtain refunds from utility vendors for any past underpayments which have occurred, and will work to implement all franchise fee correction measures. As a fee for these services, CLIENT agrees to pay TRISTEM 40% of any reimbursements CLIENT receives from its utility providers as a result of TRISTEM'S services or audit process.

### Consultant Fees

CONSULTANT'S fee is not due until CLIENT receives refunds and/or billing reductions from utility vendor(s). CLIENT agrees to pay CONSULTANT'S fee within 30 days of receipt of TRISTEM'S invoice, whether refund is in the form of cash, credit to accounts, in-kind contributions or any other form of payment or reimbursement. If future considerations are given in lieu of refunds, TRISTEM will receive the same percentage of the value of the future considerations, as TRISTEM would have received for refunds obtained.

CLIENT retains TRISTEM for audit services for (please check desired services):

- \_\_\_\_\_ Electric (including metered & unmetered accounts)
- \_\_\_\_\_ Natural Gas
- \_\_\_\_\_ Water/Sewer
- \_\_\_\_\_ Waste
- \_\_\_\_\_ Telecommunications (includes local, long distance and cellular)
- \_\_\_\_\_ Franchise Fees
- \_\_\_\_\_ Sales Taxes

**AGREED AND ACCEPTED:**

**CLIENT:** \_\_\_\_\_

**BY:** \_\_\_\_\_  
Signature Title

**DATE:** \_\_\_\_\_

**TRISTEM, LTD.**

**BY:** \_\_\_\_\_  
Signature Title

**DATE:** \_\_\_\_\_

*“Azavar Government Solutions, Inc. is the only one that has the specialized software, resources, and knowledge to successfully review each utility and recover the maximum.”*

-Mayor Gayle Smolinski, Village of Roselle, Illinois

## THE AZAVAR REVIEW APPROACH

Your Azavar Government Solutions team takes a comprehensive, three-pronged approach to your review:

### 1. Address Data Analysis

No matter what type of review you need, success depends on sifting through millions of data pieces to find and correct problems. We are uniquely capable of finding the proverbial needle in the haystack through our exclusive combination of software and advanced technology. We employ proprietary review software, conduct database-mining reviews, perform GIS analysis, and correlate data error rates/patterns to find and correct all revenue errors while recovering funds for your community. Electric, natural gas, cable, sales, hotel/motel, and telecom are among the many tax and fee reviews that comprise this program.

### 2. Financial Analysis

Following our electronic data analysis, we apply a financial review that matches theoretical dollar-for-dollar with actual payments. Our team examines your numbers to ensure expenses paid, gross revenue computed, and taxes received are all correct as established by contracts and ordinances. Through our financial analysis, we uncover hundreds of thousands of dollars in missed, underpaid, or incorrectly paid taxes owed to your community.

### 3. Compliance

Our thorough review ensures your data and financial information are in line with your contracts, franchises, and ordinances. We analyze all local, state, and federal laws regarding your rights in dealing with tax remitters and collecting back revenues or credits due to you. We then inspect your agreements from a customer perspective to make sure service is delivered as expected. Along the way, we work closely with all parties to ensure compliance with the tax remitting and filing.

## Our Benefits

- No up-front fees or costs; We work on a performance/contingency basis
- Minimal or no time required from your staff
- Streamlined processes and relationships with service providers ensure quick and efficient reviews and tax recovery
- We find errors and correct errors going forward AND recover lost monies due
- Detailed reports documenting all work done and any Findings for each audit conducted

## Azavar's Unique Solutions

- We compare service addresses from service provider lists and municipal lists while systematically analyzing data and identifying discrepancies
- We provide a financial analysis of tax & gross revenue and reporting
- We ensure compliance with your laws, contracts, and franchises
- We investigate tax collection issues, recover revenue from past errors, and correct tax coding going forward
- We review your own utility and telecom bills to ensure there are no overcharges and that your community is getting the best rates possible
- Azavar Government Solutions Experts have unique skill sets brought in for added tax revenue for your municipality



**Azavar History**

Azavar Government Solutions began in 2005 as the Azavar Municipal Utility Review Program, a division of Azavar Technologies. Our review program grew quickly, spinning off as Azavar Audit Solutions, Inc. and, subsequently, Azavar Government Solutions, Inc. in 2017. Headquartered in Chicago, Azavar Government Solutions serves a large client base of government (municipal) organizations, recovering millions of dollars for our clients each year.

**Purpose**

Azavar Government Solutions, Inc. helps communities increase accountability to optimize their tax revenue and collections. Azavar’s review process improves performance for government organizations by lowering expenses as part of our utility, telecom, sales tax, food and beverage, and hotel/motel review programs.

**About Us**

At Azavar Government Solutions, we approach reviews from a comprehensive, electronic, and programmatic perspective, analyzing millions of pieces of data per organization.

**Our Experts:**

- Find all errors by thoroughly reviewing data in its entirety – not just random samplings of statistical analysis
- Utilize proprietary technology to efficiently complete reviews
- Execute an exclusive approach that maximizes findings for our clients
- Have over 100 years of utility review experience combined
- Serve more than 250 municipal clients and counting

Recognized professionals in pioneering our unique review process, Azavar Government Solutions sets the standard for accountability and collections.

**Representative Clients:**

- Beach Park
- Collinsville
- Des Plaines
- Hanover Park
- LaSalle
- Joliet
- Rock Island
- Summit



**COMPANY INFORMATION**

Azavar Government Solutions, Inc.

**FOUNDED**

2005

**PRODUCTS**

Municipal Revenue Reviews  
Utility & Telecom Cost Reviews  
Local Administered Tax Application

**TEAM MEMBERS**

26 and growing

**CONTACT INFORMATION**

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## What Is a Franchise Fee Revenue & Contract Compliance Review Conducted by Azavar Government Solutions, Inc.?

A Franchise Fee Revenue & Contract Compliance Review from Azavar Government Solutions uncovers all fees owed to your community by cable providers. We conduct the review using our own resources while providing you with a contingency-payment model. Your review includes:

1. **Geographic Analysis – An Azavar Government Solutions Exclusive Service**
  - We use state-of-the art geographic information systems (GIS) to analyze all customers in your jurisdiction
  - Our experts employ industry-leading database software and advanced data-mining technology
2. **Franchise Compliance Analysis**
  - We analyze all local, state, and federal laws regarding your rights in working with cable companies
  - Our team thoroughly reviews your agreement to ensure that your community is fully protected
3. **Gross Revenue Analysis**
  - We examine complex revenue streams within cable companies to determine franchise fee remittances based on gross revenue
  - Collectively, our team has over 40 years of experience reviewing solutions; We have reviewed all major US cable companies
4. **Strategic Relationships with Service Providers**
  - Our relationships aid communication while ensuring compliance and accountability
  - We facilitate franchise negotiations to help meet your local needs while protecting your community's property and purse

How can Azavar Government Solutions help return money to your community? Please call Tom Fagan at **312.517.3723** or email him at [TFagan@azavar.com](mailto:TFagan@azavar.com).

Do you need us to perform a specific analysis that has not yet been mentioned? Please let us know, as we are equipped to conduct various types of electronic reviews.



### Woodridge Recovers Lost Cable Franchise Fees



Treating taxpayers fairly is a priority for the Village of Woodridge. To ensure a level playing field, accountability must be present with all government activities, especially taxation. This is why the Village of Woodridge has partnered with Azavar Government Solutions, Inc. Following successful gas and electric revenue reviews from Azavar Government Solutions, the Village of Woodridge decided to examine other service providers in the community.

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The Village of Woodridge holds all their service providers to the same standards as the gas and electric companies reviewed by Azavar Government Solutions.

To ensure equal treatment of all utility providers, Azavar Government Solutions launched a franchise fee revenue and contract compliance review for the Village of Woodridge. This review included a compliance and legal analysis of Woodridge's current franchise agreements with all cable companies serving the municipality.

Using proprietary database technology, data mining technology, and state-of-the-art geographic information systems, Azavar Government Solutions performed a comprehensive geographic analysis of all cable customers within the Village of Woodridge, ensuring the proper receipt of all revenues.

Azavar Government Solutions developed a key strategic relationship with Comcast, a cable provider serving the Village of Woodridge, ensuring that all parties were maintaining accountability within their business practices.

Through their comprehensive review, Azavar Government Solutions' professional analysis team **recovered over \$40,000** in franchise fee revenue for the Village of Woodridge.

To learn how Azavar Government Solutions can produce similar results for your organization, contact Tom Fagan at **312.517.3723** or email him at [TFagan@Azavar.com](mailto:TFagan@Azavar.com).



*"Azavar Government has been instrumental in our success. Woodridge has been able to continue increasing services to our residents while decreasing our property tax rate."*

-Mayor William Murphy, Village of Woodridge



### The Recover Past, Present, and Future Tax Income

Your municipality must make sure it is receiving all owed revenue from taxpayers and other sources. Azavar Government Solutions' expertise in electronic reviews has helped returned millions of dollars to local government clients.

#### Sales Tax Reviews

Local governments across the country have been recovering lost income through professional revenue reviews of utility, telecom, and cable fees and taxes. However, did you know that lost revenue from sales taxes can be uncovered as well?

Azavar Government Solutions helps municipalities enhance their revenues by reviewing consumption-based taxes, including the general sales tax and excise taxes (such as the use tax), taxes on hotel occupancy, motor fuels, alcohol and tobacco sales, and food and beverage.

#### Which Businesses Sell in Your Community?

Currently, 45 states require retailers to add sales tax to transactions conducted within the respective state. However, it can be challenging to track the monies due from sales taxes, and to track the businesses that are or should be remitting such taxes. Many municipalities simply don't have the resources necessary to monitor all local business development, shifting community boundaries, and changes in address data relative to state or business address lists.

With the explosion of Internet commerce, the situation has grown in complexity. According to a recent article in the *Wall Street Journal*, state and local governments stand to lose over \$10 billion in sales taxes not collected by web retailers. As a result, many states have brought in legislation to address this issue, the so-called "Main Street Fairness Act".

With both online and offline commerce, the question remains: How does a municipality accurately track remittance of sales tax revenues if a taxpayer bases its remittance calculations on incorrect address data?

#### Revenue Enhancement Through Specialized Address Reviews

It is extremely important to stay current on a growing community's boundary changes, annexations, and other geographic developments. Because of this, Azavar Government Solutions has pioneered geography-based reviews for municipalities. We use specialized geocoding software to parse through millions of data pieces in a matter of hours, identifying errors in geographic databases. This enables us to:

- Standardize the format of address databases used to compute sales tax receipts
- Establish complete address lists
- Correct errors affecting address records
- Document lost revenue and determine owed totals
- Ensure proper precautions are in place to prevent future miscoding of addresses

Azavar Government Solutions clients can utilize the expertise of our strategic partner consultants, who offer more than 100 years of experience in local government reviews. Through teamwork, our clients can achieve and sustain optimal compliance levels of sales tax collection while sharing experiences and best practices.



## City of Rock Island Recovers \$133,000+ in Past Due Cable Fees and Taxes

Azavar Audit Solutions helps Rock Island maximize City revenues through specialized address audits.

### Enhancing Revenues for City of Rock Island

Located on the banks of the Mississippi River 85 miles east of Cedar Rapids, the City of Rock Island, Illinois is one of the 'Quad Cities' that straddle the border between Illinois and Iowa. It had strategic importance in the 1800s when the Chicago and Rock Island Railroad built the first bridge over the Mississippi, bringing industrial investment to the area. Rock Island became a major center for military weapon manufacturing. Today, the Rock Island Arsenal remains the largest single employer in the City.

### Rock Island Fights Back Against Sluggish Economy

Recently, Rock Island endured an urban blight movement that characterized much of the 1970s and 1980s, As a result of the nationwide recession, businesses disinvestment and unemployment became increasingly prevalent while population significantly shrunk.

The City countered with a program of new construction, community development, and green initiatives to help create opportunities for businesses while improving services for residents.

*"Our main focus will continue to be keeping Rock Island in great financial shape with an extremely strong focus on economic development. Even though the past few years have been financially challenging for many cities and states, Rock Island continues to have a AA credit rating, a balanced budget, we pay our bills on time; we have a 90-day reserve and watch our expenses closely."*

-Mayor Dennis E. Pauley, State of the City Address 2013

### Maximizing Revenues to Aid Recovery

Facing tough decisions in conjunction with a post-downturn economy, the City of Rock Island must make sure it receives all owed revenue, such as utility franchise fees / taxes and sales taxes. Knowing the benefits that neighboring communities enjoyed while working with Azavar Audit Solutions, the City requested various audits to help maximize municipal revenues.

*"We knew Azavar Audit staff from Illinois City and County Managers Association (ILCMA) conference meetings, and we also knew that many cities had already derived significant financial benefit from their services, and that the company has the positive reputation of getting good results for municipalities."*

-John Thorson, Administrative Services Director, City of Rock Island

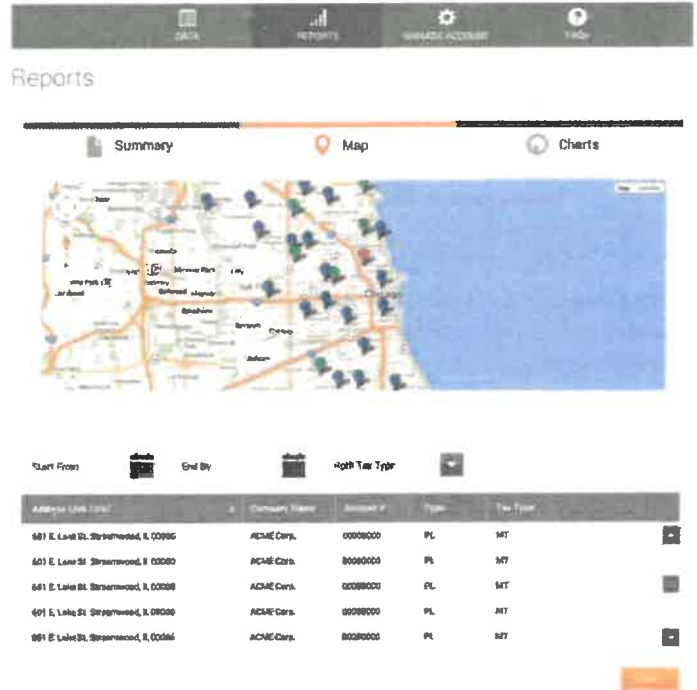
### Azavar Audit's Expertise in Address Audits

Our address audit expertise provides a unique combination of technological skills and experience. We offer an alternative service delivery approach to municipalities, allowing them to maximize their revenues without having to devote time and energy to a complex task. We initially used our proprietary address audit software to see if Rock Island was receiving all owed utility taxes from electric and gas utilities. We found numerous errors and returned **\$6,000 per annum** to the City.

## What Is a Municipal Revenue Review as Conducted by Azavar Government Solutions, Inc.?

Through our municipal transactional tax and revenue reviews, you receive a comprehensive analysis of all tax receivables remitted to your organization by service providers, including but not limited to:

- Utility Tax (Electric and Gas)
- Telecommunications Tax
- Cable Franchise Fees
- Sales Tax
- Food & Beverage Tax
- Hotel/Motel Tax
- Amusement Tax
- Motor Fuel Tax



We complete your review using our own resources while providing you with a contingency payment model. Your municipal revenue review includes:

### 1. An Exclusive Geographic Analysis

- We use state-of-the-art geographic information systems (GIS) to analyze all customers in your local jurisdiction
- Our experts employ advanced database software and advanced data-mining technology

### 2. Technical Expertise

- We utilize industry-leading software to uncover outdated technologies and wasteful practices
- Our experts utilize proprietary reviewing software while employing advanced data-mining technology

### 3. Strategic Relationships with Service Providers

- Our relationships foster communication, compliance, and accountability
- We facilitate franchise negotiations to meet local needs while protecting your community's property and purse

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*\*Testimonials and financial results may not be representative of other clients' experiences and, therefore, do not guarantee future performance nor success.*





## Town of Normal Recovers Over \$60,000 Per Annum

**Azavar Government Solutions** finds and corrects address errors, revealing instances in which utility taxes were not properly collected and remitted.

### Prudent Financial Management and Long-Term Planning for the Town of Normal

The Town of Normal has survived the Great Recession, with its after-effects still being felt across the country. The Town has been careful in its pursuit of policies pertaining to conservative financial management and long-term planning. This cautious approach helps to protect funding flexibility for infrastructure and public service provisions. Such an approach also helps to absorb inevitable economic setbacks, such as the closure of the Town's Mitsubishi Motors' plant in 2016.

Despite financial constraints, the Town has secured stable operating margins and fund balance levels. An important aspect of its prudent financial strategy has been the monitoring of tax and fee income. This helps to ensure taxes are accurately assessed and collected across the board.

The prosperous, largely white-collar Town of Normal is a mere two-hour drive between Chicago, St. Louis, and Indianapolis. The Town has seen rapid growth since being founded in 1854. As of the 2010 US Census, the Town of Normal had a population of 52,497.

The Town is home to the main campus of Illinois State University, where many Town residents are employed. As the Town's train service and station facilities improve, tourism, conference venues, and business travel should all expand. The Town has been dubbed 'EV Town' because of its incentives for using the electric car. Redevelopment in the Town of Normal continues to attract young professionals, and the community was recently voted one of the top ten 'Best Places for Millennial Job Seekers in the Midwest'.

Despite its progress and promise, Town managers did not know if revenues were being accurately assessed and collected. Also, Town officials had no way of learning such information. With no preexisting evidence, utility companies seemed unwilling to provide such information. Also, Town staff members lacked the time and technical skills necessary to perform an in-house investigation.

Being unable to perform its own comprehensive analysis, the Town engaged Azavar Government Solutions to conduct a tax revenue review. Azavar Government Solutions' team of experts used specialized software to search through address records while collecting reams of data. Azavar also advised Town managers on how to obtain key information from its utility companies. Azavar Government Solutions recovered significant past-due revenues from the Town's gas and electricity utility providers, while verifying, without charge, that its sales tax receipts were correct.

On top of recovered back taxes, Azavar's address corrections continue to **yield \$5,122.08 per month** in recovered revenues. These gains help support to the economic stability of the Town, which earned a AAA rating from Fitch ratings in February of 2016.

*"Their contingency fee structure meant that it was a no-risk proposition for us: we would share any savings or new revenue that we realized, but if nothing was discovered, we would not owe them anything for their services. I highly recommend the services of Azavar Government Solutions as a risk-free means for other municipalities to ensure the complete and equitable collection of taxes and franchise fees."*

-Chris Koos, Mayor, Town of Normal



## **What Is a Utility & Telecom Cost Review as Conducted by Azavar Government Solutions, Inc.?**

A utility & telecom cost review by Azavar Government Solutions will determine if your monthly costs coincide with what should be spent on service providers, including but not limited to:

- Electric
- Gas
- Telecommunications
- Water

We complete your review using our own resources while providing you with a contingency payment model. Your utility expense review includes:

### **1. Contract Analysis**

- We determine if appropriate services are offered at a predetermined rate
- Our team discovers the best possible market rates for your services, either through your current service provider or a competitor

### **2. Technical Expertise**

- We utilize industry-leading software to uncover outdated technologies and unneeded billable items
- Our experts follow proprietary reviewing methodologies while employing advanced data-mining technology to determine any over-payments

### **3. Strategic Relationships with Service Providers**

- Our relationships ensure communication, compliance, and accountability
- We facilitate franchise negotiations to meet local needs and protect your community's property and purse

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### Success for the City of Rockford

Rockford, a city of more than 150,000 residents, has experienced significant change and growth over the past decade. To coincide with this growth, the city wanted to optimize its management of utility expenses, including city-wide telecommunication expenses.

City officials knew they would require assistance in implementing increased monthly cost savings on such a large scale. Determined to add funds to the monthly budget without shifting the burden to taxpayers, Rockford partnered with Azavar Government Solutions, Inc.

Azavar Government Solutions collaborated with the City of Rockford in executing a utility and telecom cost review. Through this proprietary review program, Azavar Government Solutions determined if Rockford's actual monthly costs were consistent with what should have been spent on service providers.

Throughout the review, Azavar experts scrutinized Rockford's accounts payable, revealing all billing errors on behalf of the City's major electric and telecommunications providers.

After working through millions of data pieces, Azavar Government Solutions found several instances in which Rockford overpaid service providers. In each case of overpayment, Rockford's service providers had made the billing error(s).

Azavar Government Solutions not only uncovered the billing mistakes, but also worked with the service providers to collect the funds owed to the City. Thus far, Azavar Government Solutions has **recovered more than \$75,000** for the City of Rockford.

Once the revenue was rightfully returned to the city's budget, Azavar Government Solutions facilitated negotiations to ensure accountability, compliance, efficient procedures, and overall higher standards for future taxpayers.

To learn how Azavar Government Solutions can produce similar results for your organization, contact Tom Fagan at **312.517.3723** or email him at **TFagan@Azavar.com**.