

Office of the City Manager

City of Richland Hills, Texas

Memorandum

To: Honorable Mayor Bill Agan and members of the Richland Hills City Council
From: Eric Strong, City Manager
Date: September 15th, 2015
Subject: Sales Tax Audit

City Council Action Requested:

Consider agreement for Sales Tax Audit

Background Information:

Approximately five years ago, the City conducted a Sales Tax Audit. The purpose of this audit was to verify that businesses in Richland Hills were reporting their sales tax to Richland Hills, and not some other agency. The results of that audit were remarkably positive. We recouped significant funds from businesses that were incorrectly reporting their sales tax. One of the contributing problems, as you know, is the confusion that people frequently have between North Richland Hills and Richland Hills.

Since we have seen so many new businesses in the last five years, staff is recommending that you once again consider a sales tax audit. As such, we put out a Request for Proposal for the audit services. We only had one response, but it appears to be from a very qualified firm.

For any sales tax that the firm finds that is currently being reported to other cities, they will work with the business to get the sales tax redirected to us. They will then get to collect 30% of the sales tax from that business for a period of 24 months. We will keep the other 70%. At the end of the two year period, we will get 100% of the sales tax.

The only risk in this proposal is that we will pay them \$3,000 to start the process and an additional \$3,000 upon their completion of the work. This will then be deducted from

the 30% we owe them. However, in the event that they do not recover at least \$6,000, they get to keep that amount as their fee for the work.

It is important to consider that we may not recover anything in this process. Hopefully, our processes have improved enough that we are now catching all businesses when they come to the city and ensure that they report correctly. If that proves to be the case, then we will have paid \$6,000 to validate our processes, which staff feels will have been money well spent.

Staff Contacts:

Eric Strong, City Manager
817-616-3806
estrong@richlandhills.com

Attachments:

RFP response



A Texas Company & Certified HUB, DBE, M/WBE

**City
Of
Richland Hills,
Texas**

**Request For Proposal 2015-040
Sales/Use Tax Audit and Recovery Services**

**Due: August 14, 2015
9:00 AM CST**

August 07, 2015

Sales Tax Assurance LLC

8700 Manchaca Rd., Suite 106

Austin, Texas 78748

Phone: 512.906.0429

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Table of Contents

Part 1 – Introduction and Executive Summary	3
Part 2 – Company Profile	4
Staffing Plan	5
Project Organization Chart	7
Part 3 – Experience and References	8
References	10
Part 4 – Work Plan	11
Comprehensive Approach	11
Methodology	12
Timeline	16
Part 5 – Contract Term and Fee Proposal	17
Part 6 – Supplemental Information	19
Part 7 – Richland Crime Control and Prevention District Proposal	19

Part 1 – Introduction and Executive Summary

Sales Tax Assurance, LLC is pleased to submit this proposal for sales/use tax audit, review and recovery services in response to the City of Richland Hills' RFP 2015-040.

Sales Tax Assurance, LLC (STA) is a Texas local sales/use tax specialist company providing sales/use tax audit, review and recovery services across Texas since 2007. STA's growing client list of over 50 Texas local governments covers a broad range in size of sales/use tax receipts, geographic area and boundary complexity. STA clients have realized tens of \$millions of recovered or new sales/use tax from STA's services. STA believes its audit techniques are the most comprehensive of any company providing similar services, no matter size or experience.

The proposed audit will utilize STA's proven research processes to determine the following:

- Identify and verify all businesses located in the City, whose activities are subject to local sales tax, are collecting and paying tax to the City.
- Identify businesses located outside the City and paying use taxes to the City
- Identify businesses located outside the City which should be paying taxes to the city and are not.

Upon identification of errors and if required, STA staff will undertake appropriate corrections process with the Comptroller and/or the businesses in question. ***The Proposal audit will not address businesses which may be paying tax to the City in error.***

STA expects to complete the initial audit phase within 90 days of engagement. STA proposes to complete the audit in 180 days. STA will provide an audit report identifying errors and omissions found, corrections made or underway as well as recommendations for actions to monitor future sales/use tax collections. Corrections of the errors and omissions may take longer than 180 days.

STA's fee proposal is budget conscious. The audit fee is \$6,000 plus a 30% commission of recovered sales/use tax and/or 24 months of improved sales/use tax with the audit fee credited toward any commissions.

RFP 2015-040 does not include an audit of the Richland Hills Crime Control and Prevention District. STA's proposal offers the City the option of including the District in this audit at no additional audit fee as long as both audits are conducted concurrently. It has been STA's experience that corrections identified and submitted to the Texas Comptroller's office for the City with an overlay district does not guarantee the same corrections will be made for the district. In addition, an overlay district could have issues that the City does not have.

Part 2 – Company Profile

General Description and Capabilities

Sales Tax Assurance LLC (STA) is a Texas company with offices in Austin and Houston. STA was established in 2007 (as Tax Revenue Consultants LLC) to provide comprehensive sales/use tax review, audit, recovery and administration services for local Texas governments. STA identifies missing, underreported and/or misallocated sales/use tax from errors and omissions which, when fixed, can result in recovered, new or increased sales/use tax. STA's growing list of over 50 local governments all over Texas have realized tens of \$ millions in recovered and increased sales/use taxes from STA's services.

STA staff spent over 65 years' working inside the Texas Comptroller's operations. This unique experience provides an unmatched level of credibility in interactions with Comptroller personnel and a unique insight in interpreting information provided by the Comptroller. STA developed and utilizes proprietary screening software and analytical techniques. STA techniques include working with the Comptroller's personnel but also businesses within and outside a City's boundaries. STA understands the City's standing as a partner with the community it serves and is sensitive to this in discussions with businesses when representing the City in correcting sales/use tax reporting errors. STA has a reputation for responsiveness and delivering more than expected. STA work processes keep City officials informed of key or sensitive issues. STA believes its audit techniques are the most comprehensive of any company providing similar services, no matter size or experience.

STA's business focus and core capabilities match precisely the sales/use tax scope of services requested by the City of Richland Hills. STA has the capacity to add the City of Richland Hills to its current client base. STA's proprietary software and analytical techniques allow it to adjust its capacity to match demands.

Sales Tax Assurance is a financially sound, profitable growing private company. All STA staff are employed in Texas. All work will be done in Texas. The company is minority/woman principally owned and is a certified DBE, HUB and M/WBE.

Staffing Plan

Project Director and Primary Consultant. The Project Director and primary consultant will be Tina Rodriguez, Founding Partner, President/CEO of the company. She will be involved with and directly oversee this audit. In her normal duties she oversees the company's research and analysis processes and directs much of the problem resolution process with specific businesses and the Texas Comptroller's personnel. She has worked on scores of sales/use tax review, recovery and enhancement services for governments in Texas since 2006. She graduated from the University of Texas – Brownsville in 1974 and worked in capacities ranging from Administration, Enforcement Officer, and Program Specialist with the Texas Comptroller of Public Accounts from October 1977 through May 2005 at locations in Brownsville, Houston, and Austin.

Tina Rodriguez, President/CEO
8700 Manchaca Rd., Ste 106
Austin, TX 78748
512-906-0429 ext 201
512-970-1196 (mobile)
tina@salestaxassurance.com

Project Manager. The Project Manager will be Linda Brown, partner and Director of Operations of the company. In her normal duties Linda manages the research and problem resolution operations of the company. She will be a contact person with the City of Richland Hills. Linda graduated from Texas State University in 1985 and worked for the Texas Comptroller of Public Accounts in Austin from 1987 through 2013 in various administrative analyst capacities, including businesses' account maintenance. Linda joined the company in September 2014.

Linda Brown, Director of Operations
8700 Manchaca Rd., Ste 106
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Additional Client Contact. The Project's second principal communication link with the City of Richland Hills officials will be Richard Fletcher, partner and Vice President – Marketing & Sales. Richard oversees the company's marketing, sales and client relations activities. Richard has 15 years of experience providing services to municipalities and other governments in Texas. He attended Houston Community College and the University

of Houston with a focus on business and finance. Richard joined the company in January 2014.

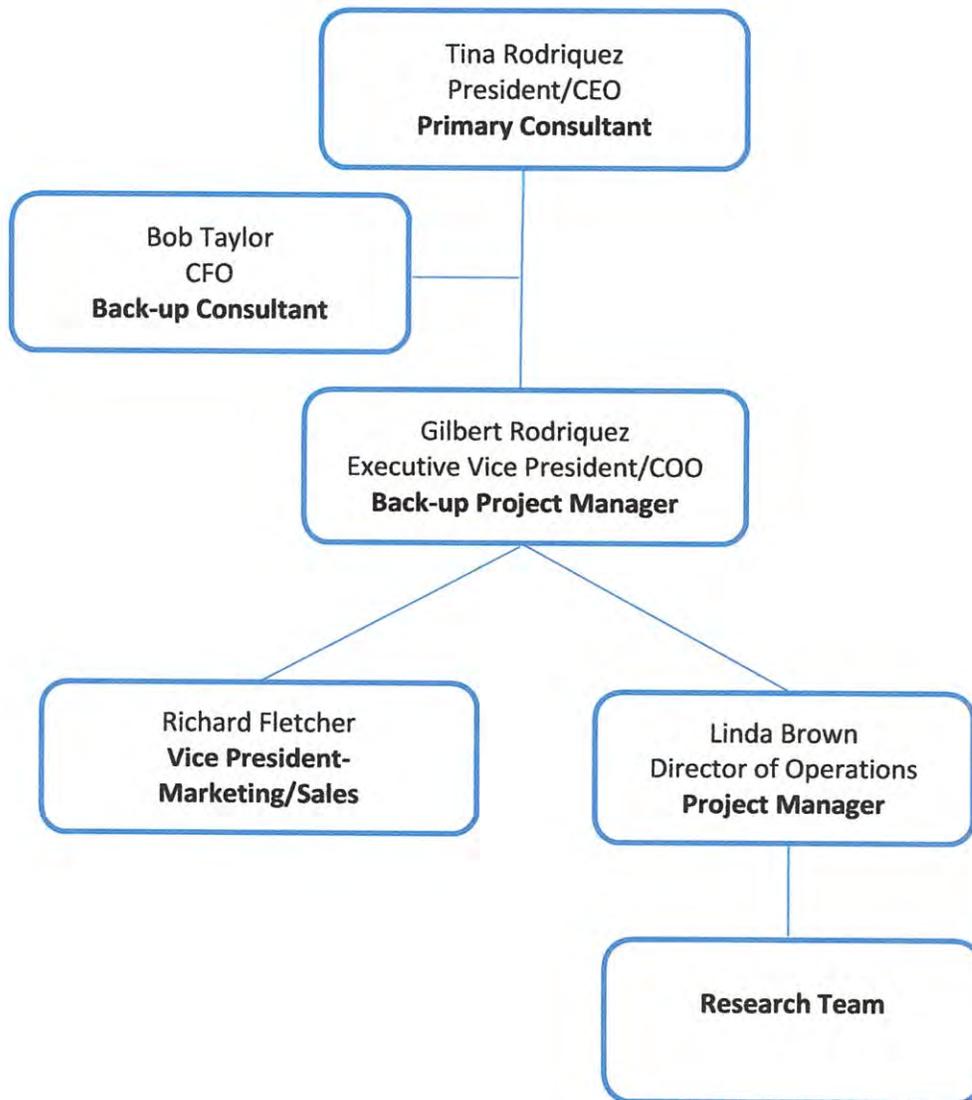
Richard Fletcher, Vice President- Marketing & Sales
9039 Katy Frwy, Ste 220
Houston, TX
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713-504-1479 (mobile)
richard@salestaxassurance.com

Back-up Consultant/Project Director. Bob Taylor, co-founding Partner, Chairman/CFO will serve as a back-up consultant and Project Director for Tina. In his normal duties Bob handles the technical and financial affairs of the company. He is responsible for the technical design of the analytical processes and databases of the company. Bob has been involved with Texas local sales/use tax since 2006 and is a former local government official. Bob is a graduate of the University of Maryland with a degree in Chemical Engineering and is a member of Tau Beta Pi Engineering Honor Society. Bob has an extensive business background and is a former CEO of divisions of major multinational corporations.

Team Approach. Sales Tax Assurance utilizes a team approach for sales tax audit, review and recovery services projects. A project's assigned staff is supported by all of the company's research, client support and administrative team and resources are applied to specific issues as project needs require. The company has experienced back-up staff for the designated key project personnel to fill in as needs may dictate.

City of Richland Hills Interaction. In dealing with Sales Tax Assurance on this project the City of Richland Hills will be interacting with owners and partners of the company. Prompt response to client questions and concerns is a priority for our company and the owners are always available to meet with the City of Richland Hills officials as conditions may warrant.

Project Organization Chart



Part 3 – Experience and References

Unique Knowledge and Experience with the Texas Comptroller of Public Accounts

Some providers may have experience working with the Texas Comptroller of Public Accounts, but only Sales Tax Assurance has staff with experience working FOR the Texas Comptroller. STA staff principals and researchers have a combined 65+ years of experience working inside the Comptroller's operations. This unique experience brings an unmatched level of credibility in interactions with the Comptroller's personnel aimed as fixing errors and omissions. The staff's depth of knowledge of the sales/use tax statutes and rules and its understanding of the Comptroller's processes allows it to also effectively deal directly with businesses to resolve reporting issues. STA utilizes its principals' experience, knowledge and understanding of internal data sourcing, generation, and production within the Texas Comptroller's operations. Along with the development of proprietary research and screening software, as well as analytical techniques which results in the most comprehensive screening available for Texas sales/use tax errors and omissions.

Experience Related to Project's Size and Complexity

Project Size A project's size is often measured by annual sales/use tax revenues of a jurisdiction. STA has experience working with jurisdictions with a few hundred thousand to tens of millions of dollars in annual sales tax revenue. But there are other size measures; 1) the geographic area (size) of the jurisdiction. STA has experience working with a jurisdiction whose geographic area is much larger than the City of Richland Hills. 2) the number of businesses reporting sales/use tax to a jurisdiction. While we cannot know the total number of businesses currently paying sales tax to the City of Richland Hills the latest public information indicates 388 outlets. STA has experience working with jurisdictions with thousands of outlets.

Complexity A project's complexity is best characterized by the sales tax boundaries of the jurisdiction and the number of sales taxing entities within, surrounding or adjoining the jurisdiction. Uncomplicated, easily defined governmental boundaries lowers complexity. Intertwined, overlapping jurisdictions with different tax rates increases the complexity. STA has extensive experience dealing with jurisdictions with complicated sales tax boundaries. The City of Richland Hills has overlapping jurisdictions with sales/use tax: Fort Worth Transit Authority and Richland Hills Crime Control and Prevention District as well as adjoining municipalities. STA manages this type of complexity with many of its clients.

Experience That Counts

Evaluating a company's experience related to a project's scope is best based on whether 1) a company has a history of demonstrated results, 2) utilizes state-of-the-art data acquisition and data management with a robust, scalable research and analytical process to identify businesses with reporting or other issues resulting in missing or under-reported sales tax, and 3) has the experienced staff to resolve identified issues. We believe of all the companies attempting sales tax review, audit and recovery services in Texas our techniques are the most comprehensive.

Demonstrated Results

STA has produced tens of \$ millions of recovered, new or increased sales/use tax revenue for its clients. STA has successfully assisted jurisdictions with small to large sales tax revenue; with small to large geographic area, and with simple to very complicated boundaries. On request dozens of examples can be provided.

References

STA is providing sales tax audit, compliance review and recovery services to the following governmental entitiesand dozens of others. STA can provide additional references on request. Please feel free to contact any of those listed below.

Mr. Bob Schmanski
President, Board of Commissioners
Harris Co. Emergency Services
District 7
P. O. Box 1333
Spring, TX 77383
bobesd7@yahoo.com
281.355.1266

Mr. Dale Terry
President, Board of Commissioners
Harris-Ft. Bend Emergency Services
District 100
c/o Coveler & Katz P. C.
820 Gessner Road, Ste. 1710
Houston, TX 77083
fireczar@att.net
281.831.4116

Mr. Terry Strubble
President, Board of Commissioners
Travis County Emergency Services
District 2
203 E. Pecan St.
Pflugerville, Texas 78660
tls21300@sbcglobal.net
512.251.2801

Ms. Betty Avery
Vice President, Board of
Commissioners
Harris Co. Emergency Services
District 9
9630 Telge Road
Houston, TX 77095
betty.avery@hcesd9.org
832.493.6112

Ms. Sharon O'Brien
Treasurer, Board of Commissioners
Hays County Emergency Services
District 3
1401 W. San Antonio St.
San Marcos, Texas 78666
sobrien@southhaysfire.com
512.754.7963

Ms. Sarah Mangham
Municipal Finance Officer
City of Windcrest
8601 Midcrown Dr.
Windcrest, Texas 78239
smangham@windcrest-tx.gov
210.655.0022 Ext. 2410

This list of clients is **PROPRIETARY AND CONFIDENTIAL** and should be used only by the City of Richland Hills in assessing STA's qualifications related to performing the requested services. *This list should be redacted or excluded from any open records requests for any responses or proposals relating to RFP 20015-040.*

Part 4 – Work Plan

Comprehensive, State-of-the Art Analytical Approach

Texas sales/use tax is complicated and differs from other states. The statutes are complex and the administrative rules to implement the statutes are as complicated and as extensive as the statutes. Businesses (taxpayers) and their accountants usually get their business sales tax reporting correct ... but not always. Incorrect information provided to the Comptroller can cause problems. Errors and omissions can occur at many points and levels in the overall process for many other reasons.

A sales tax audit, review and screening process must be structured, analytical, scalable and automated in order to deal with a complicated and constantly changing set of data for a jurisdiction. The processes must be capable of analyzing the many layers of the sales/use tax collection and payment process. New businesses are constantly opening in a jurisdiction's territory or begin providing taxable goods or services within a jurisdiction while some businesses are closing. STA employs state-of-the-art database and data processing resources capable of screening from few to thousands of businesses whether they may be reporting small to large amounts of sales tax.

Once a potential problem is identified, it is critical to have an experienced research team to conduct the research and deal with the issues resolution process. Detailed knowledge of Texas sales tax statutes and Texas Comptroller administrative rules as well as how data is generated and produced from within the Comptroller's office is crucial to understanding and timely resolving reporting issues. STA staff to be assigned to this project have extensive experience working within the Texas State Comptroller's office. Their capabilities are outlined in Part 3. They have the credibility and requisite knowledge of where to go and with whom to discuss issues inside the Texas State Comptroller's office. They also have the tax knowledge and credibility to deal directly with businesses and their accountants.

It is in the financial interest of the City of Richland Hills as well as STA to identify and resolve problems as soon as possible and resources are applied accordingly. The administration support for the project's research team is scalable depending on the number and type of issues identified. STA's approach to sales tax administration does not require the direct support of the client jurisdiction. STA handles all interactions with businesses in order to assist them with correcting their reporting and all interactions with the Texas State Comptroller's office that are necessary to resolve problems and to document recovered, underreported or reallocated sales taxes.

Complicated Texas sales/use tax laws and even more complex administrative rules to implement the laws make it virtually impossible for the City of Richland Hills to have the specialists on staff to assure its sales and use tax revenue is all it should be. STA has the

experience, resources and capabilities to perform the requested services for the City of Richland Hills.

Methodology

Proprietary and Comprehensive Techniques. Sales Tax Assurance, utilizing the unique knowledge and experience of its principals and staff, has developed proprietary, techniques, processes and software to identify errors and omissions in the Texas sales/use tax imposition, collection and payments processes that can result in lost revenue for the City of Richland Hills. The Texas sales/use tax process differs from other states and is complex with many layers. STA has designed its analytical processes and techniques around monthly analysis and the ability to match data with a jurisdiction's fiscal year. STA believes its methodology and approach is the most in-depth and comprehensive used by any sales/use tax service provider.

Work Plan Components. While STA cannot divulge the specifics of its proprietary processes and technology the following outlines the planned work process components:

1. **Start-up Meeting.** After the project contract's award STA will meet with the City of Richland Hills officials to review planned activities, to establish key contact information, to review administrative requirements, and to establish reporting dates and protocols.
2. **Data collection and Database Development.** STA will acquire on behalf of the City of Richland Hills certain data and information from the Texas Comptroller of Public accounts related to its sales and use tax receipts. STA will acquire from third party and other public sources other public information related to the City of Richland Hills. STA then assembles the acquired data into a comprehensive proprietary database to be used in its analytics. STA utilizes state-of-the-art database equipment, storage, inquiry, analytical, and report generation techniques. STA routinely updates its proprietary database as new data is available in the Texas Comptroller's database as well as from third parties.
3. **Detection of Errors and Omissions.** Detection of errors and omissions is multi-dimensional, happens over differing time periods for different issues, and is an iterative on-going process. The process requires a detailed understanding of the businesses' tax return completion/reporting process required by the Texas Comptroller of Public Accounts as well as how the Comptroller processes and reports information. Though training and professional certifications in accounting and tax matters often cited by others is important, the experience of staff having worked inside the Comptroller's operations provides a unique insight into designing error identification and correction techniques. Sales Tax Assurance will begin its data collection and analysis process as soon as it has authority to proceed.

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- a. Physical Canvassing. As warranted and based on an identified potential issue, STA will conduct physical canvassing of businesses located in the City of Richland Hills' area. This screening may be in regard to a sales tax permit issue or other relevant matters.
 - b. Timely Screening and Analysis. To protect the City of Richland Hills' interests it is crucial any error or omission be identified and corrected as soon as possible. Circumstances can arise in which an under-reporting or not-reporting situation does not obligate a business for missed or under-reported taxes, thus those taxes are not recoverable. STA designed its screening and analytics processes to monitor every significant business reporting tax to a jurisdiction on a monthly basis. STA performs its error and omissions screening process monthly in order to identify errors and begin the research and corrections process as soon as possible.
 - c. Database and Analytics. STA utilizes proprietary algorithms and analytical tools to screen for and identify:
 - i. Businesses which may be located in the city but are not reporting tax,
 - ii. Businesses located in the city which are paying tax but not at the appropriate level,
 - iii. Businesses located in the city which may be paying taxes now but did not pay past taxes they should have,
 - iv. Businesses located in the city which may have paid taxes to another jurisdiction by mistake,
 - v. Businesses located outside the city which should be paying taxes to the city but have not,
 - vi. Businesses located outside the city which are paying taxes to city but not at the appropriate level,
 - vii. Businesses located within or outside the city which may have under-reported tax for some period of time.
 - d. Research Exclusion. Screening for businesses potentially paying the City tax in error is excluded.
4. **Correction of Errors and Omissions**. Corrections of errors and omissions is also multi-dimensional and happens over different time periods for different types of issues. In our experience some issues are resolved in weeks, months and we have seen some take longer. The type of issue determines to whom the corrections process is directed; The Texas Comptroller of Public Accounts and/or the Business.
- a. Working with the Texas Comptroller of Public Accounts. In any sales tax review and recovery project it is crucial to have knowledgeable,

experienced and credible staff dealing with the Texas Comptroller of Public Accounts. Sales Tax Assurance represents and handles all necessary interactions with the Comptroller on behalf of the City of Richland Hills.

- i. Once an issue has been identified as a potential problem and the solution lies with a change or correction within the Comptroller's revenue accounting operation, we bring the issue to the attention of the appropriate staff person. Depending on the issue the resolution may take weeks or months before it is resolved and the correction is made. It may or may not require the Comptroller's staff to interact with the affected business. It can take further time after a correction is made before the business is actually reporting the correct tax. STA monitors the status of this process on an ongoing basis to identify when corrected reporting to the City of Richland Hills begins.
 - ii. There are circumstances when an issue is not resolvable through normal corrections processes within the Comptroller's revenue accounting department and must be directed to the Comptroller's audit department. In this situation, the ability to monitor status is limited as the audit process is confidential. STA still monitors the issue until it is finally resolved.
 - b. Working with Businesses. It is often the case that initial research on or final resolution of a problem requires dealing directly with a business in question. STA has developed the experience and knowledge of how to find errors and to whom an inquiry needs to be made. STA has the resources and experience to know when this is appropriate as well as the knowledge to be able to deal credibly with a business' accounting or tax staff. It is important to realize that no sales tax review and recovery services contractor has (should we say internal) audit or enforcement authority with a business related to its sales tax reporting. That authority rests solely with the Texas Comptroller. However, having the knowledge to credibly discuss and explain a sales/use tax statute and to sensitively discuss an issue has enormous value. Since STA is representing the City of Richland Hills, this credibility also reflects well on the City.
5. **Documenting Corrections, Commissions and Audit Trail.** Documentation will be provided as issues are resolved. The documentation will include the amount of the sales tax payments made by a company (taxpayer) to the City of Richland Hills by month for the periods involved related to determining commission fees for any recovered, new or increased sales/use tax as a result of STA's work or recommendations. STA will also maintain in its records sufficient detail of actions taken to identify and resolve the particular business issue(s). Should the City of

Richland Hills' auditors wish to verify the source and rationale for the recovered, new or increased tax, detailed records will be provided.

6. **Recommendations For Monitoring Future Sales/Use Tax Collections.** After STA has completed its Audit, estimated to be 180 days from project initiation, STA will include in its Audit report recommend actions for the City of Richland Hills' consideration to monitor its future sales/use tax collections.
7. **Quality Control.** STA's internal processes have review mechanisms to vet a suspected issue before actions are taken to start corrections. Further, information and communications with the Texas Comptroller on certain types of issues is also vetted by the Comptroller's independent actions. Planned contacts directly with businesses pertaining to a potential issues are internally reviewed to assure interpretation of the applicable tax statute or administrative rule is appropriate before contact is initiated. Only data from the Texas Comptroller is used as the basis of any commission determination and any commissions are based only on sales tax actually received.
8. **Audit Report.** STA will provide the City an Audit Report and Recommendations within 180 days of the engagement. The report will detail errors and omissions identified and status of corrective actions taken or underway. The report will also make recommendations as to actions the City may consider for monitoring future sales and use tax collections.
9. **No Subcontracting.** Sales Tax Assurance will complete one hundred percent (100%) of this project with its own resources and will not subcontract any portion of this project.
10. **City of Richland Hills administrative support.** Sales Tax Assurance will require the City of Richland Hills to provide letters of authorization to act in its behalf with the Texas Comptroller of Pubic Accounts and other entities to request, receive, discuss and transmit sales/use tax information specific to the City of Richland Hills. While Sales Tax Assurance will keep the City of Richland Hills officials routinely informed of progress, there will be no need for the City of Richland Hills staff to provide information or to be involved with the Texas Comptroller of Public Accounts or businesses in support of the problem discovery and resolution processes. STA's comprehensive approach to sales tax review and recovery is designed to handle all issues on behalf of the City of Richland Hills with businesses and the Texas Comptroller of Public Accounts. It will not be necessary for any STA work to be performed in the City of Richland Hills facilities.

Timeline

Start-up. Sales Tax Assurance will begin its services on the receipt of a fully executed contract and other documents as the City of Richland Hills may require. STA will require Letters of Authorization on the City of Richland Hills' letterhead for the Texas Comptroller of Public Accounts and for "To Whom It May Concern" allowing STA to request, receive and act on information relevant to the City of Richland Hills' sales/use tax. STA will provide the draft letters.

Initial Audit Phase, STA expects to complete its database development and initial phase of the audit within 90 days though this could vary depending on the responsiveness of the Texas Comptroller of Public Accounts to requests for certain information. The initial phase will capture businesses with set-up errors in the Comptroller's database. Corrections of errors found in the initial phase could take several months, again depending on the Comptroller workload and responsiveness.

Audit Report. STA in parallel to the registration audit begins its research process screening for other errors and omissions that could be leading to missing revenue. STA expects this phase to be completed in 180 days. Completion of corrections could take months longer, especially in situations where the route to success is dealing with businesses directly.

Part 5 – Contract Term and Fee Proposal

To be effective and thorough a sales/use tax audit must account for the time necessary to acquire the appropriate information to create a comprehensive database. Once the database is created the analytical process takes time to complete. Further, errors and omissions identified can require substantial time to resolve.

Term. Sales Tax Assurance (STA) proposes an Audit contract term of six (6) months.

Fee. Sales Tax Assurance (STA) proposes to be compensated on an Audit Fee plus a Commission Fee basis.

- a. **Audit Fee.** The fee for Audit services is proposed to be six thousand dollars (\$6,000.00). Fifty percent (50%) of the audit fee is due on the initiation of work and the remainder on delivery on the Audit Report and Recommendations.
- b. **Commission Fee.** STA proposes to be additionally compensated on a Commission basis. STA is due a Commission Fee only if STA's work or recommendations made during the term of the contract, or any extensions or renewals thereof, result in Recovered, Future, or Increased Taxes actually being received by the City of Richland Hills. Commission Fee obligations earned during the Contract or extensions thereof, survive termination of the Contract and City of Richland Hills' Commission fee obligations remain until completed.
 - i. **Audit Fee Credit.** STA will apply a credit of the Audit Fee against any commissions due.
- c. **Definitions.**
 - i. **Recovered Taxes.** Recovered Taxes are taxes incorrectly paid to another jurisdiction which are, as a result of STA recommendations or work, subsequently re-allocated to City of Richland Hills; or are taxes that were not collected and paid to City of Richland Hills for historical periods but are subsequently paid as a result of STA recommendations or work.
 - ii. **Future Taxes.** Future Taxes are taxes received by City of Richland Hills as a result of STA finding and fixing errors which result in taxes received forward from the error correction.
 1. An error correction can result in both Recovered Taxes and Future Taxes.

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- iii. **Increased Taxes.** Increased Taxes are taxes received by City of Richland Hills as a result of STA finding and fixing errors which result in an increase in taxes received above historic levels from the point of error correction.
 - d. **Commission Fees Determination.** Commission fees are based on the sales and use tax specific businesses or individuals reported to the Texas Comptroller of Public Accounts (TCPA) and were allocated to City of Richland Hills and are documented by data and reports received from the TCPA.
 - i. **Recovered Taxes Commission.** STA is due a Commission of thirty percent (30%) of Recovered Taxes.
 - ii. **Future Taxes Commission.** STA is due a Commission of thirty percent (30%) of Future Taxes received by the City of Richland Hills for a period of twenty four (24) months, which period begins upon City of Richland Hills' first receipt of the correct Future Taxes.
 - iii. **Increased Taxes Commission.** STA is due a Commission of thirty percent (30%) of Increased Taxes received by the City of Richland Hills for a period of twenty four (24) months, which period begins upon City of Richland Hills first receipt of the correct Increased Taxes.
 - e. **Commission Fee Payments.** Commission fees are determined and invoiced on a contract quarter basis. Payments are governed by Texas Government Code, Title 10, Subtitle F, Chapter 2251 - Payment for Goods and Services.
 - f. **Commission Fee Refund.** If STA receives Commission fees based on Taxes that are subsequently found to have been incorrectly paid to City of Richland Hills and which Taxes are subsequently re-allocated from City of Richland Hills or City of Richland Hills is required to return those taxes to the TCPA, STA will return to or credit to City of Richland Hills any Commission fees related to those taxes. STA and City of Richland Hills agree to negotiate a mutually agreeable Commission repayment schedule on a case-by-case basis.
 - g. **Cooperation after Termination.** City of Richland Hills agrees to cooperate and to provide STA necessary authorizations or provide STA access to reports or information necessary to allow STA to calculate its Commission fees for Recovered Taxes, Future Taxes and/or Increased Taxes until such time as City of Richland Hills' Commission fee obligations for those are complete.

Part 6 – Supplemental Information

Data Accuracy. Sales Tax Assurance’s services rely on information from the Texas Comptroller of Public Accounts and other sources. STA makes reasonable efforts to verify such information is accurate but makes no warranties or representations as to its accuracy.

Responsibility for Sales/Use Tax Administration. The City of Richland Hills and the Texas Comptroller of Public Accounts have and retain exclusive authority and responsibility for administering and enforcing the City of Richland Hills’ sales/use tax. Sales Tax Assurance in acting on behalf of the City of Richland Hills will utilize its expertise, proprietary technology and software to provide services to complement and supplement the City of Richland Hills’ actions, if any.

Insurance. Sales Tax Assurance maintains business liability insurance and on request will supply the City of Richland Hills a certificate of insurance.

Minority/Women Owned Business Support. STA is a certified minority/woman owned business (M/WBE) and STA believes it is offering the City of Richland Hills a unique opportunity to further its goals of supporting Minority and Women Owned businesses.

Part 7 – Richland Hills Crime Control and Prevention District Proposal

The Richland Hills Crime Control and Prevention District, a Texas government jurisdiction whose administrative services are provided by the City, is an overlay of the City having the same boundaries as the City. Its sales/use tax base should be the same as the City’s. It has been STA’s experience errors and omissions found and corrected for a City with an overlay District are not necessarily corrected by the Texas Comptroller for the District. Additionally, STA’s experience is overlay Districts can have issues the underlying City does not.

Audit Proposal. STA proposes a companion audit for the Richland Hills Crime Control and Prevention District concurrent with the audit for the City. STA proposes do the audit under the same terms and conditions as those for the City, except the Audit Fee would be waived. The commission fee for the District would apply. It would be necessary for the District to also enter into a contract with STA as it is a separate government.