



## CAMTA Coalition

Auditor 101 Training

### Audit Selection

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- ✓ Type of Business
- ✓ Errors Observed
- ✓ Referrals
- ✓ Size of Business
- ✓ Erratic history
- ✓ Proactive Audits
- ✓ Newspaper Articles/Ads
- ✓ Location of Records
- ✓ Discovery of Unlicensed Businesses
- ✓ Routine - random
- ✓ Request for Coordinated Audit
- ✓ Request for Refund
- ✓ Construction

## Proactive Audits

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- ✓ Established at least 1 full year
- ✓ Home Occupation
- ✓ Sales Volume
- ✓ Potential Use Tax Exposure
- ✓ New Business / Purchase of Existing Business

## Pre-audit Investigation

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## Establishing Communication- Audit Scheduling

- ✓ Who's the responsible party?
- ✓ Where are records located?
- ✓ What types of records are available?
- ✓ What difficulties will the taxpayer have in obtaining records?
- ✓ Have there been changes in ownership, address, type of operations?
- ✓ What are your sample months?
- ✓ What is audit date, time and location?

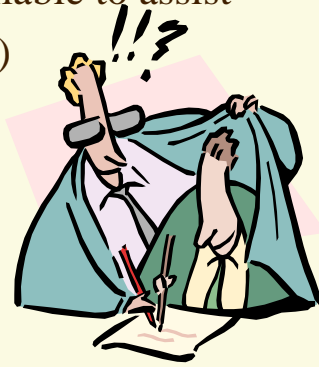
## Establishing Communication-Audit Scheduling Cont.

- ✓ Ownership, changes in ownership, # of locations
- ✓ Unpaid taxes, delinquencies, adjustments, refunds, etc.
- ✓ Review prior audits - recommendations
- ✓ 3-yr Statute of Limitations (risk of revenue loss)
- ✓ Review returns - unusual or excessive deductions

## Initial Meeting

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- ✓ Explain process
- ✓ Identify all personnel available to assist
- ✓ Tour facilities (if possible)
- ✓ “Show Me”



## Lack of Records...there's a challenge!

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- ✓ Refer to bank deposits
- ✓ Possibly reconstruct books from any available sources (guest checks, cash register tapes, etc.)
- ✓ Purchases audit (Yuk!)

## Estimates

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- ✓ When is it appropriate to prepare an estimate?
- ✓ Do you have any records or information to base it off of? Similar business audits, previous audit?
- ✓ How do you go about preparing an estimate for an audit?

## The Hot Seat

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- ✓ What was your legal basis for the assessment?
- ✓ What do you know about the business?
- ✓ Could you trace a transaction? How?
- ✓ What was your method of sampling & extrapolation? Why?
- ✓ Did you get Taxpayer concurrence with sampling?
- ✓ Detailed notes regarding process, procedures, cooperation, timing, etc.
- ✓ Purpose & Findings should be thorough and tell a story