WORKING SMARTER.... REDUCING AUDIT CYCLE TIME

Connie Gillam
MO Department of Revenue
Today’s Overview

- Planning
- Best Practice
- Communication
- Audit Management
- Audit Summary
- Informing the Taxpayer
- Set Deadlines/Reduce Time
Learning Objective

- Plan
- Communicate
- Understand
- Deadlines
EAT YOUR PEAS!

- E - Effectively Plan Ahead
- A - Audit Electronically
- T - Touch Base
- Y - Yelp for Help!
- O - Oldest in, First Out
- U - Understand Your Taxpayer
- R - Regularly Meet with Your Supervisor
- P - Put The Taxpayer on Notice
- E - Effectively Sample When Necessary
- A - Achieve Weekly Goals
- S - Set Deadlines
Effectively Plan

- Understand the business you are auditing
- Conduct a thorough opening meeting
- Utilize a Taxpayer Questionnaire (if you have one)
- Discuss records in as much detail as possible with taxpayer prior to the start of the audit
- Understand how the business is filing their returns
- Confirm all appointments in writing with the taxpayer or Power of Attorney (POA)
- Make sure the taxpayer is prepared to start field work. Taxpayer should have a clear understanding of what records are needed for review.
Audit Electronically

- Obtain as much of the taxpayer’s data electronically as possible
- This will save cycle days and audit hours
- This type of examination of records lends itself to a more accurate audit
- Make sure you have an accurate understanding of what they have given you, ask questions
Touch Base

- Check in with your supervisor during fieldwork to make sure you are on the right path
- Meet and discuss fieldwork results with your supervisor within one week of the start of fieldwork
- Use a Field Work Checklist (if you have one)
- Meet with your supervisor if an issue arises during fieldwork
If you need help, ask for it

Do not hesitate to stop and ask guidance from your supervisor when you are in the field

If you are uncertain on how to handle scheduling of certain records, check with your supervisor before you misuse time on something that may not be necessary

Take advantage of the knowledge and experience of other auditors when in need of help

If you don’t know, someone else will
Oldest In, First Out

- Prioritize, prioritize, prioritize
- Work on your oldest audits first
- Frequently review where you are, what challenges you have, and what needs to be done so you not lose focus
- Review all records and complete tasks needed with an audit before moving on to the next audit on your priority list
- Be aware of the taxpayer, their time is as valuable as yours
Understand your Taxpayer

- Continually research your taxpayer and their industry
- If needed research to see if there are any prior court cases pertaining to the industry or taxpayer as issues arise.
- Make yourself knowledgeable so that you know what areas of compliance are of interest in your audit
- Discuss any issues or concerns with your supervisor
Regularly Meet with your Supervisor

- Meet weekly with your supervisor to develop action plans to close priority audits and effectively manage your inventory.
- Strategize with your supervisor on difficult taxpayers or audits so that you are moving forward with the audit.
- Meet with your supervisor within one week of the start of fieldwork to discuss the audit and issues you have discovered.
- Meet with your supervisor again after fieldwork is complete to discuss the possibility of findings and closing the audit.
Put the Taxpayer on Notice

- Send communication letter to Taxpayer to “Keep Better Records” as soon as it is discovered that the taxpayer has inadequate records.
- The sooner you put the taxpayer on notice to retain their records, the sooner you can examine their data if you have to use something that is outside of the audit period.
- Put the taxpayer on notice immediately when you discover that they have other issues such as collecting the wrong tax rate, collecting and not remitting or not charging tax on inbound freight.
Effectively Sample When Necessary

- Effectively sample when necessary
- Sampling can be an effective tool to use to conserve time or examine a large amount of data
- Sampling can also be effective when the taxpayer has poor or inadequate records
- Your supervisor can provide you with guidance as to when and how to effectively sample your taxpayer
Achieve Weekly Goals

- Set goals to that you can achieve on a weekly basis
- Follow your priority list of “Oldest In, First Out”
- List it on your itinerary every week to stay on track
- Make regular contact with your taxpayers; at least every 1-2 weeks for small/medium audits and at least every 2-3 weeks for large audits
- Work with your supervisor to set goals for closing audits
- Make sure goals are met, if they are not provide a detailed explanation and plan moving forward
- Setting and achieving goals will reduce audit cycle time
Set Deadlines

- Set deadlines for yourself
- Set deadlines with taxpayers and move forward when those deadlines are not met
- Set deadlines as to when you will get back with the taxpayer when you are working on an audit
- Set estimated completion dates for all of your audits and adjust as necessary
Steps in the Audit Process

- Data Mining, Waivers, Audit Authorization, Opening Letter
- Taxpayer Questionnaire, prep for field work, review transcript, pick sample, schedule onsite tour if needed
- Initial Field Work with Taxpayer
- Complete Field Work Checklist and Meet with Supervisor to discuss
- Follow up emails and phone calls, researching issues, setting deadlines
- Send Exhibit sheets, detail times requiring review, draft audit summary
- Review Field Work with Taxpayer and educate them on the results
- Finalize work papers, analysis, and summary, send to supervisor to review and assessment or estimate approval
Steps in Audit Process (continued)

- Computation
- Preliminary Audit Package, complete Audit Summary, Closing Letter, and Assembling paperless audit package
- Send Closing to Taxpayer, Discuss findings with Taxpayer
- Paperless Audit Package, Finalize Audit Summary, upload signed documents, prepare paperless audit cover
- Send email to supervisor with audit cover that the audit is complete
QUESTIONS?