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# Electronic Audits

## North Dakota Tax Department

Presenter: Megan Porter  
Sales & Use Tax Auditor – ND  
August 19, 2008

# Topics Covered

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- Auditor Leads
- Audit Coordinator Selection of Audit Leads
- Attachment of Information for Auditors
- Taxpayer Information Form
- Taxpayer Response Letter
- ASAP – Access database
- Audit Review
- Audit Processing

# Auditor Leads

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- Invoices viewed at audit are sighted as possible leads
- Auditor asks permission from the taxpayer to make a copy/scan the invoice(s)
  - Auditor has taxpayer sign release, to allow contact with the vendor listed on the invoice
- Auditor enters information from invoice into Access



# Auditor Leads (cont)

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- Auditor submits audit leads in Access to Audit Coordinator
- Scanned invoices are placed on a common network drive
  - Auditors access these scanned invoices when audit is assigned to them

# Auditor Lead - Example

The screenshot shows a Microsoft Access window with the title bar "Microsoft Access - [frmFirmNameQuery : Form]". The menu bar includes File, Edit, View, Insert, Format, Records, Tools, Window, and Help. A search box on the right contains the text "Type a question for help". The toolbar contains various icons for file operations and editing. The main form area has a light blue background and contains the following elements:

- Text: "Select the Firm Name From the List Below"
- Form field: "Firm Name" with a dropdown arrow and a black arrow pointing to it from the right.
- Buttons: "Return To Main Menu", "Preview SAS-1's", and "Exit Access". A black arrow points from the "Preview SAS-1's" button down to the bottom of the form.

At the bottom of the window, the status bar shows "Record: 1 of 1" with navigation icons and "Form View" on the left, and "NUM" on the right.



STATE OF NORTH DAKOTA  
**OFFICE OF STATE TAX COMMISSIONER**  
 Cory Fong, Commissioner

**Form SAS-1**

Date 7/29/2008

Auditor: Megan Porter 18

Firm Name: Acme Explosives Company

Street Address: 1234 Toon Town Dr

City: Los Angeles

State: ca

Zip Code: 90210-

Permit Number: 123456-00

Phone Number: (555) 555-5555

Charging Tax-No Permit Listed

Charging Tax-Permit Canceled or Revoke

Not Charging Tax on Sales for Final Use

Charging Wrong Rate Tax

Purchasing Tax Exempt

No Resale or Contractors Certificate on File

Signed Resale Certificate-Permit Canceled or Revoke

Other, Explain : Taxpayer appears to be shipping TNT to taxpayer in North Dakota and appears to be charging California tax on invoice.

Date	Invoice Number	Dollar Amount	Date	Invoice Number	Dollar Amount
1/1/2008	12345	\$10,000.00	2/1/2008	12346	\$5,000.00
3/1/2008	12347	\$6,000.00			

Information obtained at: Wyll E Coyote And Associates Inc

Tax was assessed against audited firm.  See Invoice Copies  Release Signed

The North Dakota Tax Commissioner and/or the Commissioner's agents are authorized to contact:

Name: Acme Explosives Company

Street Address: 1234 Toon Town Dr

City, State, Zip Code: Los Angeles, ca 90210

and discuss any information contained in this document (SAS-1). Provisions of North Dakota Century Code §§ 57-39.2 and/or 57-40.2 are hereby waived.

Witness \_\_\_\_\_

\_\_\_\_\_  
Firm

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

# Selection of Audits

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- Audit Coordinator selects audit using the following ways:
  - Auditor leads
  - Leads from other sections in the Tax Dept.
  - Viewing taxpayer information in Gentax
    - Gentax – integrated tax system
  - Re-Audits
  - Other taxpayer complaints
  - Other agency registration forms

# Attachment of Information for Auditors

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- Information provided to auditors by Audit Coordinator using a common network drive
  - Corporate income tax return
  - Previous audit reports and work papers
  - Sales tax permit applications
  - Other correspondence



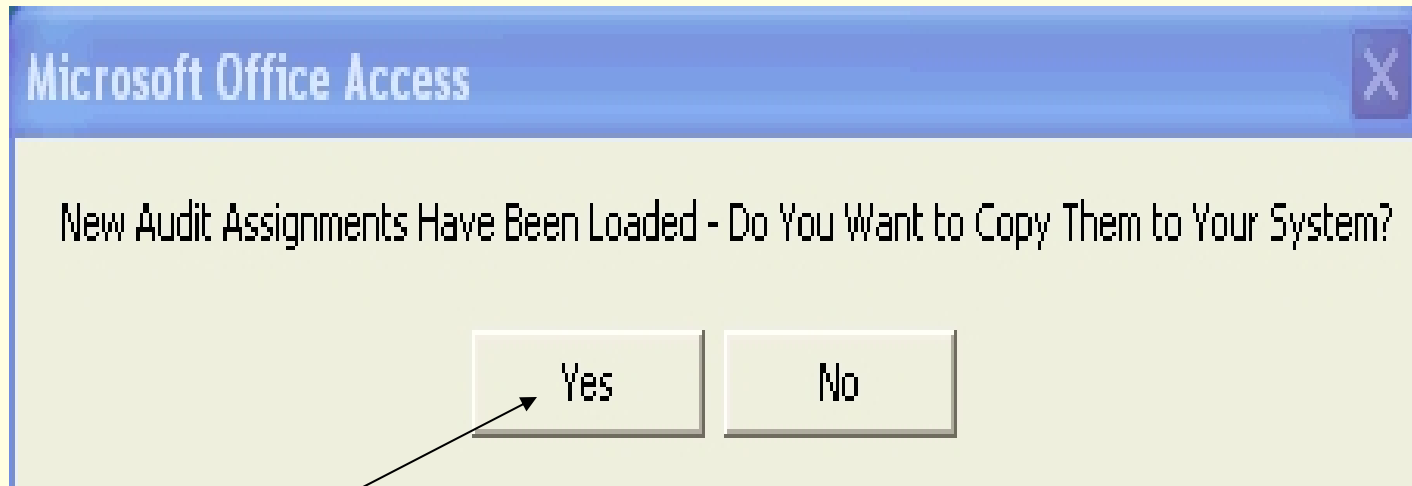
# Attachment of Information for Auditors (cont)

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- Benefits
  - Paper mailings to auditors located in field offices eliminated
  - Postage costs reduced
  - Printing costs decreased
  - Direct Communication

# New Audit Assignment

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# Taxpayer Information Form

Microsoft Access - [frmTaxpayerInfo : Form]

File Edit View Insert Format Records Tools Window Help Adobe PDF

Sales Tax Permit Number: 654321 Audit Seq: 2347 Audit Status: Assignment

[Open Main Menu](#) [Add New Audit](#)

### Taxpayer Information

Audit Assignment Date	7/1/2008
Auditor	Megan Porter
Audit Type	Out of State
Taxpayer Name	ACME Explosives Company
Business Owner	RD Runner
Address 1	1234 Tune Town Rd
Address 2	
City	Los Angeles
State	CA
Zip Code	90210-
Telephone Number	(555) 555-5555
Individual Contact	RD Runner
Lodging/Restaurant City	None
Territory	Out of State

Enter the Beginning Date of the Audit Period

Beginning Date: 7/1/2005

Enter the Ending Date of the Audit Period

Ending Date: 6/30/2008

Special Gross Receipts

Alcohol  
 Farm Machinery  
 None

[Change Permit Number](#)

### Audit Selection Information

**Sales**

- Gross sale on sales tax returns are less than reported on the taxpayer's income tax returns
- Deductions claimed on sales tax returns appear too high
- Ratio of cost of goods sold to sales reported appears higher than normal for the type of business

**Use Tax**

- Minimal use tax reported
- Contractors applications for contractors license indicates large contracts
- New acquisition of assets
- New business, no use tax reported
- Contractor-Retailer claiming large government deductions. May not be remitting use tax on government contracts
- Appears to be paying use tax to another state on materials removed from inventory
- Use tax reported appears low compared to cost of goods on income tax return

**Other**

- Reaudit
- Reporting problems in the industry
- Never been audited or random selection
- In-office request
- SAS1 on Database

**Special Instructions**

Megan Porter has received request from Wylie E. Coyote.

[Open Data Entry Form](#) [Close Form](#)

# Taxpayer Response Letter

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- Letter sent to taxpayer saying they have been selected for audit
- When taxpayer response is received it is scanned and placed in Gentax under the taxpayer's account
  - Auditor checks Gentax for this information and contacts taxpayer.
  - Auditor also enters phone # and contact information into Audit Input Program (Access) (ASAP)

# ASAP – Access Database

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- Auditor enters assessments/credits into ASAP
- Audit work papers are compiled by the Access program
  - Work papers can be exported to Excel and e-mailed to taxpayer if requested
- Auditor submits audit for review/processing



# Audit Submission

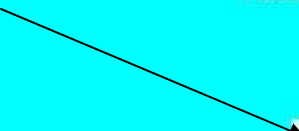
Microsoft Access - [frmSelectAuditToComplete : Form]

File Edit View Insert Format Records Tools Window Help Adobe PDF

Submit Selected Audit for Review

Permit Number

PermitNumber	Audit Seq	TaxpayerName	AssignDate	BeginningDate	EndingDate	Status	PostAuditDate
654321	2347	ACME Explosives Company	7/1/2008	7/1/2005	6/30/2008	Assignment	7/29/2008



# ASAP – Access Database (cont)

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- Submitted audit is uploaded to a holding file on a common network drive
- Audit narrative/exhibits are placed on common network drive for review
- Audit extension(s) are attached in Gentax

# Audit Review

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- Audit Coordinator
  - Verifies that concerns identified in audit selection were addressed in the audit
- Audit Supervisor
  - Verifies consistency in application of statute
- Audit Processor
  - Verifies legitimate audit periods

# Audit Processing

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- The Audit Processor exports audit out of Access and into Excel.
- Excel file is uploaded into the Audit Manager in Gentax.
- A Notice of Determination (NOD) is generated in Gentax
- NOD is printed and mailed to taxpayer

# Audit Processing (cont)

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- Audit work papers, exhibits and report are attached in Gentax.
- A work item is created in Gentax to assist the Audit Supervisor in tracking audit recall



# Questions...

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