

Appendix A
Summary of State Sampling Practices

Updated January 2004

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	<i>ALABAMA</i>	<i>ALASKA</i>	<i>ARIZONA</i>	<i>ARKANSAS</i>
<i>Contact</i>	Joseph W. Cowen 334-242-1270	Bruce Kinney 907-269-1042	Miguel Teposte 602-716-6652	Danny Walker 501-682-4870
<i>Use of sampling or estimation</i>	Yes	No. Do not plan to use in the future.	Yes. Block samples.	Yes
<i>Statutory or regulatory authority</i>	No. Dept. of Revenue opinion allows discretion to sample.		Yes. A.R.S. §42-1108(A)	Yes. Arkansas Code Ann. 26-18-305 (a) (2) (A) and (a) (2) (B)
<i>Written sampling agreements?</i>	Yes. Agreements are not binding. We try to have an agreement in place before conducting the sample. Occasionally a taxpayer will back out of the agreement, in which case we can complete a total tax due audit or assess using the sample. We have never been to court on the issue of sampling.		Yes. Agreements are binding and have been upheld. Block sampling agreements are executed by the taxpayer and the Department of Revenue.	Yes. Agreements are binding if results of sample are representative of period/population being sampled.
<i>Informational brochures or publications?</i>	No		No.	No
<i>Sampling techniques</i>	Stratified random; Simple random; Block/cluster; Time periods		Block	Systematic; Block/cluster; Time periods. Use of statistical sampling methods are currently being reviewed for future use.
<i>Minimum, maximum or average number of strata?</i>	No		N/A	No
<i>Calculation of sample sizes</i>	Formula		Block—sample size is determined on a case-by-case basis.	Formula for statistical sampling; For nonstatistical sampling, sample size is determined on a case-by-case basis with the sampling technique that is used.
<i>Minimum errors to project?</i>	Yes		No.	No
<i>Projection techniques</i>	Percentage of error; End/mean projection; Mean estimator		Block—percentage of error applied to total population.	Percentage of error; Average dollar per unit
<i>Compute precision or</i>	Yes. 90% two-sided is commonly used;		N/A	No. To be determined for statistical

	ALABAMA	ALASKA	ARIZONA	ARKANSAS
<i>confidence level?</i>	however, examiners have the authority to change if factors dictate.			sampling by department policy.
<i>Use adjustment different from point estimate?</i>	Lower confidence limit for liabilities; upper confidence level for refunds.		N/A	To be determined as part of department policy for statistical sampling.
<i>Range of precision for typical audit</i>	10% flexible depending on population dispersion.		N/A	To be determined as part of department policy for statistical sampling.
<i>Steps taken when results do not fall within expected precision or confidence?</i>	Expand the sample		N/A	To be determined as part of statistical sampling.
<i>Software package(s) for selection and/or evaluation of samples</i>	ACL; Rat-Stats (U.S. Army Audit Agency)		Have ACL but used infrequently.	To be determined
<i>High dollar, non-recurring transactions?</i>	Stratify into groups and examine in detail.		Block—pull out of sample and do actual.	To be determined as part of department policy for statistical sampling. For nonstatistical sampling, item would be withdrawn from sample and addressed separately.
<i>Missing documentation</i>	Counts as taxable because of taxpayer's requirement to maintain records.		Consider an error and treat as a taxable transaction. Permit taxpayers to provide additional information later.	To be determined as part of department policy for statistical sampling. For nonstatistical sampling, item would be considered taxable. If documentation for sample period missing, consideration of substituting another period would be given.
<i>Sample/projection for overpayments?</i>	Within Audit - yes for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - yes for tax paid to vendor; yes for use tax paid.		By statute, samples are not permitted for refund requests. Credit audits are allowed.	Within Audit - no for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - no for tax paid to vendor; no for use tax paid.
<i>Number of samples conducted during most recent calendar or fiscal year (please indicate period).</i>	Calendar Year 1999 Sales & Use Tax: 102 nonstatistical 6 statistical		Statistical - 0 Block - 147 (estimated per year)	Calendar Year 1999 Sales & Use Tax: 400 nonstatistical (estimated)

	<i>CALIFORNIA FTB</i>	<i>CALIFORNIA BOE</i>	<i>COLORADO</i>	<i>CONNECTICUT</i>
<i>Contact</i>	Jadwiga Z. Lutek 312-759-4158	Kelly Reilly 916-324-2372	Karen Torsney 303-355-0400	Steve Veilleux 860-297-5627
<i>Use of sampling or estimation</i>	Yes	Yes	Yes	Yes
<i>Statutory or regulatory authority</i>	No. Agency has discretion to sample.	No. Agency has discretion to sample.	No. Agency may sample with consent of the taxpayer.	No. Agency may sample with consent of the taxpayer.
<i>Written sampling agreements?</i>	No	Yes. Agreements are not binding. Staff must complete Form BOE-472, Audit Sampling Plan, whenever sampling is conducted. The information and methods documented in this form are not binding on either the taxpayer or Board staff. The sampling plan may be modified if new or additional data are encountered. If deviation from the plan is required, it will be fully discussed with the taxpayer.	Yes, but agreements are not binding.	Yes, but agreements are not binding. Our standard letter of understanding may include an identification of the test period for our statistical sampling audits. An audit sampling form is used by our EDP-Audit staff as a clarification tool.
<i>Informational brochures or publications?</i>	No	Yes. Audit Manual Chapters 4 and 13; available in paper and electronic formats. Contact: Kelly Reilly (see phone above) Kelly.reilly@boe.ca.gov www.boe.ca.gov/pdf/fam-13.pdf	No	No
<i>Sampling techniques</i>	Stratified random; Simple random; Systematic; Methods used by auditors are primarily nonstatistical, according to GAAS. Therefore, the audit objective is stated first, then methodology is chosen to meet the audit objective.	Stratified random; Simple random; Systematic; Block/cluster; Time periods	Stratified random; Simple random; Systematic; Block/cluster; Time periods; Majority are still block.	Stratified random; Simple random; Block/cluster; Time periods; Other - may conduct a detail of certain accounts.
<i>Minimum, maximum or average number of strata?</i>	No	No	No	In general, our EDP-Audit staff recommends six strata, plus an additional detailed exam stratum.
<i>Calculation of sample sizes</i>	Nonstatistical - determine audit objective, percentage of population that one wishes to review and choose a sampling method.	Formula; Auditor judgment	Formula. With consideration for audit time and availability of taxpayer records.	Formula; For block sampling, audit examiners use the shortest period of time that is representative.
<i>Minimum errors to project?</i>	No	Yes, per stratum.	No	No

	<i>CALIFORNIA FTB</i>	<i>CALIFORNIA BOE</i>	<i>COLORADO</i>	<i>CONNECTICUT</i>
<i>Projection techniques</i>	Percentage of error	Percentage of error; Average dollar per unit	Percentage of error; Average dollar per unit; End/mean projection; Ratio estimator; Difference estimator; Mean estimator; Regression estimator	Percentage of error
<i>Compute precision or confidence level?</i>	No	Yes. 80% two-sided.	No	Yes. The level varies.
<i>Use adjustment different from point estimate?</i>	No, but additional tests may apply when the misstatement found due to sampling is determined to be material.	No	Varies among taxpayers.	Mid-point estimator is used.
<i>Range of precision for typical audit</i>	N/A	Maximum allowable is 75% using differences to compute the precision. Actual average range achieved is 40%-50%.	Varies among taxpayers.	Varies
<i>Steps taken when results do not fall within expected precision or confidence?</i>	Expand the sample. The preliminary sampling results are discussed with the taxpayer and a course of action is determined. There may be reasons the percentage of error is high.	Stop the audit; Expand the sample; Project anyway depending upon the unique circumstances of each audit and taxpayer preference.	Further discussion with taxpayers.	Recommend expansion.
<i>Software package(s) for selection and/or evaluation of samples</i>	None	ACL (Only used by computer audit specialist); In-house evaluation template.	ACL; Excel; Monarch	ACL; VBA routines developed by EDP-Audit staff.
<i>High dollar, non-recurring transactions?</i>	Review individually rather than sample. For example, if most balances in an account are under \$1,000,000 but three are over \$5,000,000, then those three are individually examined. To continue to include them in the population as part of the sample would skew the results of determining the percentage of error in the account balances.	Refer to Audit Manual Chapter 4 (section 0405.20(e)) relating to non-statistical sampling.	Review at 100%	Examiner conducts a detailed examination of all items within this category.
<i>Missing documentation</i>	Discuss the situation with the taxpayer. At times a new or expanded sample is needed, or sometimes the taxpayer agrees to omit the missing items from the population. For example, if all information from a particular vendor is missing, the taxpayer may agree to run a new population total omitting invoices from that particular vendor.	Refer to Audit Manual Chapter 13 (section 1302.25(g)).	Treat as taxable unless auditor can be satisfied otherwise (e.g. review of invoices show all other invoices by same vendor are correct).	The examiner considers the items to be in error and fully subject to tax. The taxpayer and audit management sometimes reach a negotiated settlement.

	<i>CALIFORNIA FTB</i>	<i>CALIFORNIA BOE</i>	<i>COLORADO</i>	<i>CONNECTICUT</i>
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	<i>CALIFORNIA FTB</i>	<i>CALIFORNIA BOE</i>	<i>COLORADO</i>	<i>CONNECTICUT</i>
<i>Sample/projection for overpayments?</i>	<p>Within Audit - yes for tax paid to vendor; yes for use tax paid;</p> <p>Taxpayer-initiated claim - yes for tax paid to vendor; yes for use tax paid.</p> <p>Dept. position is that tax returns or refund claims should not be prepared by the taxpayer or the taxpayer's representative by the use of sampling. In those cases, overpayments on a formal claim for refund or an informal claim made during the audit process, may not be allowed. If the returns and refund claims were not prepared by sampling, the auditor would first determine that the population that they are sampling is reliable, then conduct the sample and compare it to the return or claim for refund. In that case, audit sampling may result in an overpayment, provided the statute of limitations is open for the overpayment.</p> <p>Auditors use sampling as an audit tool. Therefore, we may accept the adjustments made by other governmental agencies in our audits even if the adjustments were a result of sampling. For example, when the CA BOE uses sampling during an audit to adjust use tax paid, our department will accept the results when we are verifying use tax paid on the same items. In that case, the sampling was done for us. However, the taxpayer must also be in agreement, and have paid the use tax proposed by the BOE in order for us to accept the results.</p>	<p>Within Audit - yes for tax paid to vendor; yes for use tax paid;</p> <p>Taxpayer-initiated claim - yes for tax paid to vendor; yes for use tax paid.</p> <p>Tax paid to vendor - allow only for tax-paid purchases resold. Sales tax paid by a purchaser to a vendor in error must be recovered from the vendor.</p>	<p>Within Audit - no for tax paid to vendor; yes for use tax paid;</p> <p>Taxpayer-initiated claim - no for tax paid to vendor; no for use tax paid.</p>	<p>Within Audit - no for tax paid to vendor; yes for use tax paid;</p> <p>Taxpayer-initiated claim - no for tax paid to vendor; no for use tax paid.</p>
<i>Number of samples conducted during most recent calendar or fiscal year (please indicate period).</i>	<p>Calendar Year 1999</p> <p>Income Tax:</p> <p>>50 statistical</p>	<p>Calendar Year 1999</p> <p>Sales & Use Tax:</p> <p>2126 nonstatistical</p> <p>333 statistical</p> <p>Data not available for calendar year 1999. Figures were extrapolated based upon data from February to September 2000.</p>	<p>Calendar Year 1999</p> <p>Sales & Use Tax:</p> <p>750 nonstatistical</p>	<p>Fiscal Year 2002-03</p> <p>Sales & Use Tax:</p> <p>>2400 nonstatistical</p> <p><10 statistical</p>

	<i>DELAWARE</i>	<i>DISTRICT OF COLUMBIA</i>	<i>FLORIDA</i>	<i>GEORGIA</i>
<i>Contact</i>			Julie Pendleton 770-996-9100 x500	Bill Branan 404-651-5410
<i>Use of sampling or estimation</i>			Yes	Yes
<i>Statutory or regulatory authority</i>			Yes. Section 212.12(6), Florida Statutes	No. Only with consent of taxpayer.
<i>Written sampling agreements?</i>			Yes. Agreements are binding. Parties agree that the sample shall be deemed to be representative of all the taxpayer's business, and the findings of this sampling shall be projected over the period set forth in the attachment to the agreement.	No
<i>Informational brochures or publications?</i>			No (under development).	Yes. Electronic format. Contacts: Bill Branan 404-651-5410 Diane Flemming 404-463-2638 Don Bloom 404-651-5446
<i>Sampling techniques</i>			Stratified random; Time periods	Stratified random; Simple random; Block/cluster; Time periods
<i>Minimum, maximum or average number of strata?</i>			Yes. Seven strata are used.	Yes. Number of strata depends on size of population. We normally do not exceed 7 strata.
<i>Calculation of sample sizes</i>			Formula	Formula
<i>Minimum errors to project?</i>			No	No
<i>Projection techniques</i>			Percentage of error; Ratio estimator; Difference estimator (preferred); Mean estimator	Percentage of error; Average dollar per unit
<i>Compute precision or confidence level?</i>			Yes. We use a 95% confidence level. The amount of sampling error (E) acceptable to the department is determined and agreed upon. It is balanced with sample size to be cost-effective yet acceptable.	No. Confidence level (normally 95%) and precision are used to calculate the sample size, but are not used as an evaluation tool.
<i>Use adjustment different from point estimate?</i>			We assess at the mean.	Project to the point estimate.

	<i>DELAWARE</i>	<i>DISTRICT OF COLUMBIA</i>	<i>FLORIDA</i>	<i>GEORGIA</i>
<i>Range of precision for typical audit</i>			Varies with each audit. See above.	N/A
<i>Steps taken when results do not fall within expected precision or confidence?</i>			Expand the sample (following the pilot).	N/A
<i>Software package(s) for selection and/or evaluation of samples</i>			FERAS (Florida Electronic Record Auditing System); WinFMT (Windows-based Florida Multi-Tax Software).	ACL
<i>High dollar, non-recurring transactions?</i>			A detail stratum containing all high-dollar items in the population is identified and separated from the population to be sampled.	Stratify and examine all transactions above a specified dollar limit. An item in one of the strata to be sampled is considered representative and will not be deleted.
<i>Missing documentation</i>			Any sample points for which the taxpayer cannot provide the source documents are considered taxable (deficiency determined).	Select spares
<i>Sample/projection for overpayments?</i>			Within Audit - yes for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - no for tax paid to vendor; yes for use tax paid. Taxpayer's records must be adequate but voluminous.	Within Audit - yes for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - no for tax paid to vendor; no for use tax paid.
<i>Number of samples conducted during most recent calendar or fiscal year (please indicate period).</i>			Calendar Year 1999 Sales & Use Tax: 25 statistical	Calendar Year 1999 Sales & Use Tax: 1504 nonstatistical 15 statistical We do not represent these as time statistical samples. These audits are stratified random samples which utilize some statistical techniques and methods. Because there is no evaluation of the results, we do not refer to the samples as statistical.

	<i>HAWAII</i>	<i>IDAHO</i>	<i>ILLINOIS</i>	<i>INDIANA</i>
<i>Contact</i>	Randall Leong 808-587-1700	Mark Stones / Joe Randall 208-334-7675	Bob Reep 217-782-9800	Randy Neff David Kolb 317-233-0389 317-233-6036
<i>Use of sampling or estimation</i>	Yes	Yes	Yes	Yes
<i>Statutory or regulatory authority</i>	No. Agency has discretion to sample.	No. Only with consent of the taxpayer.	No	Yes. IC 6-8.1-4-2(a)(3) & IC 6-8.1-4-2(a)(6)
<i>Written sampling agreements?</i>	No	No	No	No
<i>Informational brochures or publications?</i>	No	No	Yes. Publication 107 Electronic Records and Computer-Assisted Auditing. http://www.iltax.com	Yes. Paper format.
<i>Sampling techniques</i>	Time periods	Stratified random; Simple random; Systematic; Block/cluster; Time periods; If the taxpayer records don't support any of the above, the auditor may use any reasonable sampling technique (this must be coordinated with supervisor).	Stratified random; Simple random; Systematic; Block/cluster; Time periods	Stratified random; Block/cluster; Time periods
<i>Minimum, maximum or average number of strata?</i>	No	No, but presently developing this policy.	No	No
<i>Calculation of sample sizes</i>	Judgmental; determined by auditor.	Presently developing this policy.	Formula; Also utilize tables and judgment to analyze the population characteristics.	Primarily formula for statistical sampling. Judgment and prior audit findings may also be utilized. Auditor's judgment for nonstatistical sampling.
<i>Minimum errors to project?</i>	No	No. Will have a policy in the future.	Yes	No standard minimum. Auditor discretion may be used.
<i>Projection techniques</i>	Percentage of error	Percentage of error; End/mean projection; Ratio estimator; Difference estimator; Mean estimator; Regression estimator	Percentage of error; Average dollar per unit; Difference estimator; Mean estimator; Combined ratio estimator; Combined regression estimator.	Percentage of error; Ratio estimator; Difference estimator; Mean estimator; Combined ratio estimator
<i>Compute precision or confidence level?</i>	No	No. May in the future.	Yes. 90% two-sided.	Yes. 90% two-sided.

	<i>HAWAII</i>	<i>IDAHO</i>	<i>ILLINOIS</i>	<i>INDIANA</i>
<i>Use adjustment different from point estimate?</i>	No response	No	No	No
<i>Range of precision for typical audit</i>	No response	N/A	5%-40% with an average of approximately 25%.	5%-30%
<i>Steps taken when results do not fall within expected precision or confidence?</i>	No response	N/A	Project anyway	Make taxpayer aware of precision. If taxpayer and Department are willing to accept risk, project anyway. If not, will consider expanding sample.
<i>Software package(s) for selection and/or evaluation of samples</i>	No response	Rat-Stats	Pan Audit Plus; COBOL for selection and an internal program for evaluations.	ACL; Excel spreadsheets; Rat-Stats

	<i>HAWAII</i>	<i>IDAHO</i>	<i>ILLINOIS</i>	<i>INDIANA</i>
<i>High dollar, non-recurring transactions?</i>	Take it out of the sample if taxpayer can prove it is a nonrecurring transaction.	These items would be removed from the population and handled as a separate isolated occurrence.	Normally the high dollar transactions are detailed. The dollar amount where this begins depends on each taxpayer's records.	Largest dollar records are reviewed in detail. Cut-off for detail transactions is determined for each sample population.
<i>Missing documentation</i>	Treat it as an error.	Normally consider them taxable unless the taxpayer can give sufficient evidence showing they are not taxable.	Each audit is independent. The missing item may be handled as an error, as correct, with a percentage of the item an error, or some other methodology may be employed.	Auditor analyzes available information such as similar invoices from vendor, expense account charged, department, etc. At auditor's discretion to determine if the available information is sufficient to establish transaction as exempt. If not, treat as taxable.
<i>Sample/projection for overpayments?</i>	Within Audit - no for tax paid to vendor; no for use tax paid; Taxpayer-initiated claim - no for tax paid to vendor; no for use tax paid.	Within Audit - sometimes for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - sometimes for tax paid to vendor; sometimes for use tax paid. Normally exercise limited supervision over the sampling process to ensure the validity of the sample.	Within Audit - no for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - no for tax paid to vendor; yes for use tax paid. Tax paid to a vendor in error must be recovered from the vendor. The claim is not filed with the Department. The vendor would file a claim with the Department to recover amounts refunded to a customer.	Within Audit - yes for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - no for tax paid to vendor; no for use tax paid.
<i>Number of samples conducted during most recent calendar or fiscal year (please indicate period).</i>	We do not keep track of the samples conducted in our audits.	Calendar Year 1999 Sales & Use Tax: 200 nonstatistical	Fiscal Year End June, 2003 Sales & Use Tax: 3742 nonstatistical 294 statistical Income Tax: 1086 nonstatistical 11 statistical Other: 356 nonstatistical 0 statistical	Sales & Use Tax: 1999 - 55 statistical 2000 - 71 statistical 2001 - 68 statistical nonstatistical unknown

	<i>IOWA</i>	<i>KANSAS</i>	<i>KENTUCKY</i>	<i>LOUISIANA</i>
<i>Contact</i>	Jeff Aten 515-281-6463	Robert Lewis 785-296-7487	EDI Section 502-564-2113 x4196	Donald Barnette 225-925-7548
<i>Use of sampling or estimation</i>	Yes	Yes	Yes	Yes
<i>Statutory or regulatory authority</i>	No	Yes. K.S.A. 79-3610	No	No. Only with consent of the taxpayer.
<i>Written sampling agreements?</i>	Yes. Agreements are binding, but taxpayer still has right to appeal any audit findings.	No. Have to notify the taxpayer in writing of intent to use sampling. Taxpayer is not required to sign an agreement. Sampling will be used even if the taxpayer opposes it.	No	Yes. Agreements are not binding as we have no statutory authority to force a taxpayer to accept a sample if the records are available.
<i>Informational brochures or publications?</i>	No	Yes. Both electronic and paper format. Contact: Charla Wagner 785/291-3288 or Charla.wagner@kdor.state.ks.us	No	No
<i>Sampling techniques</i>	Stratified random; Simple random; Systematic; Block/cluster; Time periods	Stratified random; Simple random; Time periods	Stratified random sampling and Block sampling	Stratified random; Simple random; Systematic; Block/cluster; Time Periods
<i>Minimum, maximum or average number of strata?</i>	No	Yes. 1-7	Minimum 4 strata Maximum 7 strata	No
<i>Calculation of sample sizes</i>	Auditor judgment, but minimum of 250.	Formula. Normally use minimum of 250 per stratum.	200 minimum	Formula
<i>Minimum errors to project?</i>	Yes	Yes	No	No
<i>Projection techniques</i>	Percentage of error	Percentage of error; End/mean projection; Ratio estimator; Difference estimator; Mean estimator; Regression estimator	Ratio estimator	Percentage of error; Ratio estimator
<i>Compute precision or confidence level?</i>	Yes. 90% two-sided; we are considering going back to 80%.	Yes. 80% one-sided or 60% two-sided.	No	No. Developing a policy.
<i>Use adjustment different from point estimate?</i>	No	Yes. 80% lower level	No	Developing a policy
<i>Range of precision for typical audit</i>	± 50%. We do not do computer audits and rarely have more than two strata.	25% or below	No	Developing a policy

	IOWA	KANSAS	KENTUCKY	LOUISIANA
<i>Steps taken when results do not fall within expected precision or confidence?</i>	Project anyway; unless the auditor or taxpayer explains why sample is not representative, then may compromise.	Stop the audit; Expand the sample	Not applicable	Developing a policy.
<i>Software package(s) for selection and/or evaluation of samples</i>	Selection - use Excel; likely to switch to Rat-Stats. Evaluation - using a formula from Illinois; likely to switch to Rat-Stats.	ACL; Rat-Stats; Monarch & Access	ACL; Rat-Stats	ACL; Rat-Stats; Excel
<i>High dollar, non-recurring transactions?</i>	Our assumption is that it is recurring and should remain part of the projection. Taxpayer allowed to prove nonrecurring and show actual.	Assess in period found; not included in error percentage.	Detail	Usually high dollar transactions are audited 100% and not included in the sample. Occasionally, nonrecurring transactions are removed from the sample and reviewed separately.
<i>Missing documentation</i>	The item is considered an error unless taxpayer has enough other information to show otherwise.	Considered an error.	An error, unless sufficient documentation to prove otherwise.	Items are considered taxable unless other evidence shows tax has been paid or accrued.
<i>Sample/projection for overpayments?</i>	Within Audit - yes for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - yes for tax paid to vendor; yes for use tax paid.	Within Audit - yes for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - no for tax paid to vendor; yes for use tax paid.	Yes, for tax accrued.	Within Audit - yes for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - depends.
<i>Number of samples conducted during most recent calendar or fiscal year (please indicate period).</i>	Calendar Year 1999 Sales & Use Tax: 310 nonstatistical 4 statistical	Calendar Year 1999 Sales & Use Tax: 2000 nonstatistical 200 statistical	Calendar year 2002 Sales & Use Tax: Non-statistical 1093 Random 12	Calendar Year 1999 Sales & Use Tax: 721 nonstatistical 150 statistical Income Tax: 1 nonstatistical Other: 104 nonstatistical

	MAINE	MARYLAND	MASSACHUSETTS	MICHIGAN
<i>Contact</i>	Judy Methot 207-822-6371	Richard Glacken 410-767-1500	Brian Cadigan 617-887-6969	Jon Stowell 616-356-0341
<i>Use of sampling or estimation</i>	Yes	Yes	Yes	Yes
<i>Statutory or regulatory authority</i>	No. Agency has discretion to sample.	Yes. Tax General Article 13-302 (a-1)	Yes. Mass. General Laws Chapter 62C Section 24	No
<i>Written sampling agreements?</i>	Yes. Agreements are not binding; nothing in statute to enforce it.	Yes. They are not required by law, but once signed, they are considered to be binding.	Yes	No
<i>Informational brochures or publications?</i>	No	No	Yes. www.massdor.gov CAATS (Computer Assisted Audit Techniques) Brochure	No
<i>Sampling techniques</i>	Systematic; Block/cluster; Time periods	Stratified random; Simple random; Systematic; Block/cluster; Time periods	Primarily a variable sampling plan based on stratified mean per unit.	Statistical and non-statistical (Random) sampling.
<i>Minimum, maximum or average number of strata?</i>	No	No	Yes. Usually minimum of 5 strata plus a detail strata.	Yes. Recommended maximum number 7 strata.
<i>Calculation of sample sizes</i>	N/A	Formula	Sample size is primarily based on 5% alpha error and 80% power with allocation to strata based on strata frequency and standard deviation. There may be modifications of initial sample size calculations based on a statistical review.	Sample size software on e-audits, with Minimum and maximum sizes on manual audits.
<i>Minimum errors to project?</i>	No	No	Yes. Statistical errors to project are based on the number of sample strata confidence intervals used for sample validation plus a confidence interval for the projected tax error rate.	No
<i>Projection techniques</i>	Percentage of error	Percentage of error; Average dollar per unit; Ratio estimator; Difference estimator; Mean estimator	Sample strata error ratio estimates are used to project a population tax error rate.	Ratio estimation
<i>Compute precision or confidence level?</i>	No	Yes. Prefer 90% two-sided, but may adjust based on sample size.	Yes. 95% confidence intervals are calculated for all sample strata and also for the projected tax error rate.	90% confidence level used to determine sample size.

	MAINE	MARYLAND	MASSACHUSETTS	MICHIGAN
<i>Use adjustment different from point estimate?</i>	N/A	Prefer point estimate, but will use lower or upper limit depending on audit circumstance.	No	No
<i>Range of precision for typical audit</i>	N/A	10% - but may vary depending on sample size.	2% range of population mean.	N/A
<i>Steps taken when results do not fall within expected precision or confidence?</i>	N/A	Stop the audit; Expand the sample; Project anyway; Other - depends on circumstances. Expand the sample would be first option, or stop audit and project depending on initial sample size.	Expand the sample	Re-evaluate sample design or expand sample size.
<i>Software package(s) for selection and/or evaluation of samples</i>	ACL; Access	ACL; Monarch; Access	ACL; SAS; STATA 7.0; VB written program to calculate and provide appropriate sample size.	ACL or MIDAS, and Rat Stats for sample selection on manual samples.
<i>High dollar, non-recurring transactions?</i>	Exclude from test	Delete from sample.	Normally audited in detail.	Eliminate from sample, audit in detail. May project with taxpayer agreement.
<i>Missing documentation</i>	N/A	Treat as a taxable invoice or factor taxable percentage based on remaining sample result.	Auditor's judgment to tax at the appropriate rate until documentation is provided.	Auditor judgement.
<i>Sample/projection for overpayments?</i>	Within Audit - yes for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - no for tax paid to vendor; no for use tax paid.	Within Audit - yes for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - yes for tax paid to vendor; yes for use tax paid.	Case by case basis.	Within Audit - No for tax paid to vendor. Yes for tax paid direct. Taxpayer-initiated claim - No, actual numbers required.
<i>Number of samples conducted during most recent calendar or fiscal year (please indicate period).</i>	Unknown	Calendar Year 1999 Sales & Use Tax: 450 nonstatistical 3 statistical Income Tax: 25 nonstatistical	FY 2003 (July 02-June 03) 23 statistical sample audits completed	Calendar Year 2003: Approximately 60% of the sales and use tax audits conducted.

	MINNESOTA	MISSISSIPPI	MISSOURI	MONTANA
<i>Contact</i>	Maggie Anderson Dawn Sargent 320-654-5515 651-556-6855	Shelton Vance 601-923-7305	Joe K. Evans 314-877-0417	Jim McKeon 406-444-1940
<i>Use of sampling or estimation</i>	Yes	Yes	Yes	Yes
<i>Statutory or regulatory authority</i>	Yes. M.S.289.35 "The Commissioner may use statistical or other sampling techniques consistent with generally accepted accounting principles in examining returns or records and making assessments."	Code Section 27-65-43, MS Code of 1972, Annotated. No Regulation.	Yes. MO Reg. 12CSR 10-3.568	Yes. Montana Code Annotated 15-30-145.
<i>Written sampling agreements?</i>	No	No	Yes. Sample agreements are generally binding on both parties.	No
<i>Informational brochures or publications?</i>	No. We provide custom explanations based on the sampling methodology.	No	No	No
<i>Sampling techniques</i>	Stratified random; Simple random; Time periods	Stratified random	Stratified random; Simple random; Systematic; Block/cluster; Time periods	Systematic; Time periods
<i>Minimum, maximum or average number of strata?</i>	On the average, we use seven strata. However, depending on the variability of the population, additional strata may be added.	The number of strata is determined by the size of the population. An average of six strata would be expected.	No	Yes. Stratify using income ranges.
<i>Calculation of sample sizes</i>	Formula	The sample size is determined upon analysis of the stratified population.	Formula (simple random samples); For stratified random sample we use a minimum sample size of 1000 items (4 @ 250, 5 @ 200).	Based on sample population and FTE available.
<i>Minimum errors to project?</i>	Yes	No	No	No
<i>Projection techniques</i>	Percentage of error; Ratio estimation; Mean estimator	Percentage of error	Percentage of error (block); Average dollar per unit (simple random); End/mean projection (simple random); Ratio estimator; Difference estimator; Mean estimator; Regression estimator (4 estimators are used in stratified random samples).	Percentage of error; Average dollar per unit

	MINNESOTA	MISSISSIPPI	MISSOURI	MONTANA
<i>Compute precision or confidence level?</i>	Yes. 95% confidence - two-sided	No	Yes, for stratified random samples; used for quality control - we look at 75%-80%-90% two-sided.	No
<i>Use adjustment different from point estimate?</i>	No	No	No. Use mid-point.	No
<i>Range of precision for typical audit</i>	Records are not kept.	It is our intention to review greater than 60% of the dollar value of the population while viewing less than 10% of the population detail. While no specific confidence level is computed, we believe this plan meets our objective for a reasonable review of records.	Would prefer to have 10% or less; if over 25% we would review the sample plan and possibly expand the sample.	Varies, depending on project.
<i>Steps taken when results do not fall within expected precision or confidence?</i>	Project anyway.	Because no confidence level is computed, the auditor is expected to review the results to determine reasonableness compared to the total population under examination. If an unreasonable result is calculated, management review would be invoked to assist in the review and conclusion.	Expand the sample; Project anyway; Review sample plan to see if population was correctly defined.	Stop the audit.
<i>Software package(s) for selection and/or evaluation of samples</i>	ACL	ACL; Monarch; IDEA	ACL; Rat-Stats for simple random samples; IRS estimators for stratified random samples.	SAS; Mainframe applications

	MINNESOTA	MISSISSIPPI	MISSOURI	MONTANA
<i>High dollar, non-recurring transactions?</i>	For most sampling methods, an upper boundary is determined for the high dollar transactions and reviewed at 100%. Capital assets are generally reviewed at 100%.	These transactions are removed, assuming they are determined to be extraordinary for the taxpayer and the audit period.	If it can be demonstrated that it is truly an extraordinary item, it is removed and treated as a one-time only item.	Manually review and make decision based on review.
<i>Missing documentation</i>	In general, we presume that missing transactions are taxable. Other supporting evidence can be evaluated in determining if tax has been paid correctly.	Missing documentation is treated as an error, unless overwhelming evidence exists to indicate the transaction was not taxable.	Absent other supporting evidence, it would be considered taxable.	Depending on missing documentation, may request information from taxpayer.
<i>Sample/projection for overpayments?</i>	Within Audit - yes for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - no for tax paid to vendor; no for use tax paid.	Yes	Within Audit - no for tax paid to vendor; case-by-case for use tax paid; Taxpayer-initiated claim - no for tax paid to vendor; case-by-case for use tax paid.	Within Audit - N/A for tax paid to vendor; N/A for use tax paid; Taxpayer-initiated claim - N/A for tax paid to vendor; N/A for use tax paid.
<i>Number of samples conducted during most recent calendar or fiscal year (please indicate period).</i>	Calendar Year 2002 Sales & Use Tax: 1500 nonstatistical 36 statistical	Not tracked	Calendar Year 1999 Sales & Use Tax: 1750-2000 nonstatistical 15 statistical	Calendar Year 1999 Income Tax: 50,000 nonstatistical 800 statistical

	NEBRASKA	NEVADA	NEW HAMPSHIRE	NEW JERSEY
<i>Contact</i>	Shaun Sookram 402-471-5751	Bruce Courtney 702-486-2348	Maurice P. Gilbert or Donna Arcand 603-271-3400	Robert K. Thompson 609-292-5185
<i>Use of sampling or estimation</i>	Yes	Yes	Yes. Very limited use. No broad-based sales & use tax; applications are very limited. Used primarily in the Meals & Rentals tax and the Communications Services tax.	Yes.
<i>Statutory or regulatory authority</i>	No. Only with consent of the taxpayer.	Yes. Nevada Revised Statutes (NRS) 360.300.1 [©]	No. Agency has discretion to sample.	No. Agency has discretion to sample.
<i>Written sampling agreements?</i>	Yes. Agreements are binding. Exceptions are allowed for unusual items. Agreements are viewed as legally binding.	No	No	No
<i>Informational brochures or publications?</i>	No	No	No	No
<i>Sampling techniques</i>	Stratified random; Block/cluster; Time periods	Time periods	Block/cluster; Time periods	Block/cluster; Time periods
<i>Minimum, maximum or average number of strata?</i>	No	No	No	No
<i>Calculation of sample sizes</i>	Formula	Per Dept. policy, 3 randomly selected months of 36-mo. audit period. Sample can be narrowed or expanded based on business size and number of transactions (auditor discretion important). Assets done on actual basis (full audit).	Usually select 2 or 3 time periods based on their volume of activity.	With cooperation of the taxpayer.
<i>Minimum errors to project?</i>	No	No	No	No
<i>Projection techniques</i>	Percentage of error	Percentage of error	Percentage of error	Percentage of error
<i>Compute precision or confidence level?</i>	Yes. 95% two-sided.	No	No	No
<i>Use adjustment different from point estimate?</i>	No	No	The auditors usually select a period of days or a month and review all the transactions that fall within the period. The adjustments tend to be associated with not all sales being included with excess cash being identified or a particular type of product, service or exception is improperly treated. The auditor will	N/A

	<i>NEBRASKA</i>	<i>NEVADA</i>	<i>NEW HAMPSHIRE</i>	<i>NEW JERSEY</i>
			work with the operator and seek an agreement for the methodology used.	
<i>Range of precision for typical audit</i>	5%	N/A	No response	N/A
<i>Steps taken when results do not fall within expected precision or confidence?</i>	Project anyway	N/A	No response	N/A

	<i>NEBRASKA</i>	<i>NEVADA</i>	<i>NEW HAMPSHIRE</i>	<i>NEW JERSEY</i>
<i>Software package(s) for selection and/or evaluation of samples</i>	ACL	Excel "Randbetween" function used to select sampled months.	No response	ACL; SAS

	NEBRASKA	NEVADA	NEW HAMPSHIRE	NEW JERSEY
<i>High dollar, non-recurring transactions?</i>	Treat as exception and outside of the sample.	Not included with sample. Treated as one-time events.	The auditor will verify the information and if truly a non-recurring type of transaction will remove it. The types of transactions in our taxes tend to remain pretty constant.	Will usually examine 100% and will not project them.
<i>Missing documentation</i>	Work with taxpayer to arrive at a reasonable resolution. Presume due if no other evidence available to refute.	Replace sample (period) if pertains to 1 of 3 periods. Expand sample, average available transactions, change to full audit.	The auditor will work with the operator in arriving at a reasonable solution unless there is a high percentage of missing documents in which case the testing will be greatly expanded and at a minimum, the operator may have an audit adjustment removing the commission that is paid for maintaining records.	Will either tax or substitute another document.
<i>Sample/projection for overpayments?</i>	Within Audit - yes for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - yes for tax paid to vendor; yes for use tax paid.	Within Audit - no for tax paid to vendor; no for use tax paid; Taxpayer-initiated claim - no for tax paid to vendor; no for use tax paid.	Overpayments of tax by a consumer to a vendor are not returned to the vendor unless the vendor has evidence supporting the fact that the money was returned to the consumer. For example, we see this frequently in dealing with longer term room rentals (considered permanent residents after 180 days) where the tax is collected from the beginning until the 181 st day at which time the resident would be entitled to a refund of all Meals & Rentals tax paid. The department would refund the operator if there is evidence supporting the refund being made to the consumer.	Within Audit - yes for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - no for tax paid to vendor; no for use tax paid.
<i>Number of samples conducted during most recent calendar or fiscal year (please indicate period).</i>	N/A	Calendar Year 1999 Sales & Use Tax: 80% of audits conducted incorporated nonstatistical sampling methods.	Most of the Meals & Rentals tax and Communications Services tax audits will involve some sampling of source documents. The department has approximately 12 individuals who would likely be using the sampling and each may have taxpayers in these tax types on 6 to 10 of their audits. Our auditors will generally audit all tax types for a particular business.	Sales & Use Tax: Perform 3-4 thousand field audits per year and use nonstatistical methods for samples. 1 statistical per year max - occurs when a taxpayer hires a firm to conduct a statistical sample.

	<i>NEW MEXICO</i>	<i>NEW YORK</i>	<i>NORTH CAROLINA</i>	<i>NORTH DAKOTA</i>
<i>Contact</i>		Kristine Ward or Yvonne Beyer-Teal 518-457-3026 518-457-3403	Thad Cable 704-342-6123 x-266	Blane Braunberger 701-328-3472
<i>Use of sampling or estimation</i>		Yes	Yes	Yes
<i>Statutory or regulatory authority</i>		No. Only with consent of taxpayer. Auditors frequently use sampling techniques to identify underpayments or overpayments of tax in the conduct of sales tax audits. The results of the sampling cannot be extrapolated and assessed without taxpayer consent. This does not prohibit the use of sampling to identify areas that require further audit analysis.	Yes. G.S. 105-258. If records are available electronically.	No. Only with consent of the taxpayer.
<i>Written sampling agreements?</i>		Yes. Agreements are binding on the taxing authority and taxpayer. Either party may withdraw their agreement prior to assessment.	Yes. Agreements are binding in principle. We use a sampling plan that outlines the department's path for sampling.	No
<i>Informational brochures or publications?</i>		Yes. Paper format. Contact: Kristine Ward Sales Tax Audit Bureau Field Audit Management Bldg. 9, Room 332, State Campus Albany, NY 12227 Kristine_Ward@tax.state.ny.us Electronic format located at: http://www.tax.state.ny.us/pubs_and_bulls/Publications/sales_pubs.htm	Yes, Computer Assisted Audit brochures are available from any Tax Compliance employee.	No
<i>Sampling techniques</i>		Stratified random; Block/cluster; Time periods	Stratified random; Time periods	Stratified random; Simple random; Block/cluster
<i>Minimum, maximum or average number of strata?</i>		Yes. Usually 5-9 strata are used.	No	Average 5
<i>Calculation of sample sizes</i>		Total sample size for all strata are set judgmentally. Allocation of the total sample amongst the individual stratum are set by formula using Neyman Allocation Procedures.	Formula	Examine a minimum of 200 sampling units per stratum.
<i>Minimum errors to project?</i>		No	No	No

	<i>NEW MEXICO</i>	<i>NEW YORK</i>	<i>NORTH CAROLINA</i>	<i>NORTH DAKOTA</i>
<i>Projection techniques</i>		Percentage of error (block/cluster and time period samples); Ratio estimator (block/cluster and time period samples); Difference estimator (statistical sampling).	Percentage of error.	Percentage of error; Difference estimator
<i>Compute precision or confidence level?</i>		Yes. 90% two-sided confidence level with a maximum allowed precision of 25%.	Yes. 95% confidence level; 5% error rate; 2% desired precision.	Yes. 90% two sided.
<i>Use adjustment different from point estimate?</i>		No	No	No
<i>Range of precision for typical audit</i>		Typically between 5%-15%.	2% desired precision (stratified random sample).	Goal of 30%.
<i>Steps taken when results do not fall within expected precision or confidence?</i>		Several options are available: Expand the sample; Use only tax due found on the review of sampled items with no additional projection; or Determine if an alternative audit methodology is necessary.	Expand the sample.	Expand the sample or possibly use the lower limit of the confidence interval.
<i>Software package(s) for selection and/or evaluation of samples</i>		In-house written COBOL programs.	IDEA	ACL; Rat-Stats
<i>High dollar, non-recurring transactions?</i>		High dollar transactions are normally audited in detail.	Items in the last stratum will not be sampled and they will be examined in their entirety.	Transactions would generally fall into a detail stratum.
<i>Missing documentation</i>		The auditor is allowed to use their judgment to either accept another invoice from the same vendor for proper tax treatment or to hold the missing items taxable.	Missing sample items will be taxed at the appropriate rate.	Assess it until documentation is provided.

	<i>NEW MEXICO</i>	<i>NEW YORK</i>	<i>NORTH CAROLINA</i>	<i>NORTH DAKOTA</i>
<i>Sample/projection for overpayments?</i>		Within Audit - yes for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - yes for tax paid to vendor; yes for use tax paid.	Within Audit - no for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - no for tax paid to vendor; yes for use tax paid. Taxpayer-initiated refund claim will be worked in conjunction with the department and they will use our stratified random sampling requirements.	Within Audit - no for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - yes for tax paid to vendor (refund claim with vendor); no for use tax paid.
<i>Number of samples conducted during most recent calendar or fiscal year (please indicate period).</i>		FY 2000 (4/1/1999-3/31/2000) 84 statistical FY 2001 (4/1/2000-3/31/2001) 60 statistical FY 2002 (4/1/2001-3/31/2002) 34 statistical FY 2003 (4/1/2002-3/31/2003) 45 statistical	Fiscal year 1999 (7/1/99-6/30/00) Sales & Use Tax: 77 statistical; nonstatistical unknown Income Tax: Nonstatistical unknown; 0 statistical Scrap Tire: 2 statistical; nonstatistical unknown Franchise: 1 statistical; nonstatistical unknown	Calendar Year 2002 Sales & Use Tax: 8 statistical

	<i>OHIO</i>	<i>OKLAHOMA</i>	<i>OREGON</i>	<i>PENNSYLVANIA</i>
<i>Contact</i>	Ed Phillips 330-643-1758	Dennis Lewis 405-522-4725		Joe Wincovitch 717-783-9910
<i>Use of sampling or estimation</i>	Yes	Yes	No. The state currently does not impose a sales or use tax.	Yes
<i>Statutory or regulatory authority</i>	Yes. Sections 5739.13 and 5741.13 of the Ohio Revised Code.	Yes; Sales & Use Tax Rule 710:65-5-2 (OTC may only suggest a sample audit).		Yes. Tax Reform Code of 1971, Article II, Chapter 61, § 8A.1 - 8A.11
<i>Written sampling agreements?</i>	Yes. Agreements are binding on both parties.	Yes. Agreements are binding on the Tax Commission.		Yes. Agreements are not binding. Use a form which is signed by both the auditor and taxpayer which explains the testing procedure. The taxpayer, by signing, agrees with procedures but it is not binding.
<i>Informational brochures or publications?</i>	Yes. A separate three-page letter exists for sales or purchase audits which outlines our procedures, methodology, and statistical sampling parameters.	No		No
<i>Sampling techniques</i>	Stratified random or statistical sampling; Block/cluster based on a representative time period.	Block/cluster; Time periods		Stratified random; Block/cluster; Time periods
<i>Minimum, maximum or average number of strata?</i>	Yes. Minimum: (2); Maximum: (7); Average (5). When feasible, we prefer to use seven strata ranges.	No		Yes; no more than 5 or 6.
<i>Calculation of sample sizes</i>	Yes, using the variable (not attribute) formula from RATSTATS	Usually monthly activity		Between 200 and 400 items per strata which is based upon results of other audits, and we tend to over-sample to avoid selecting twice - that is, selecting a pre-sample to determine sample size.
<i>Minimum errors to project?</i>	No	No		No
<i>Projection techniques</i>	Percentage of error (or percentage of taxability regarding most direct pay permit account holders).	Percentage of error; Static dollar amounts applied to months not sampled.		Percentage of error
<i>Compute precision or confidence level?</i>	Yes, when using statistical sampling methodology.	No		Yes. 90% two-sided.
<i>Use adjustment different from point estimate?</i>	No	N/A		No
<i>Range of precision for typical audit</i>	Our goal is to achieve a 10% precision and a 90% confidence level.	N/A		Our average precision is $\pm 24.5\%$ M.O.E. at 90% C.I. (as calculated from a recent block of 52 populations)

	<i>OHIO</i>	<i>OKLAHOMA</i>	<i>OREGON</i>	<i>PENNSYLVANIA</i>
				on which statistical sampling was employed).

	<i>OHIO</i>	<i>OKLAHOMA</i>	<i>OREGON</i>	<i>PENNSYLVANIA</i>
<i>Steps taken when results do not fall within expected precision or confidence?</i>	Either party has the option to increase the sample size to improve precision.	N/A		The taxpayer may request additional transactions to be included in the sample.
<i>Software package(s) for selection and/or evaluation of samples</i>	Rat-Stat	Rat-Stats; ACL		ACL

	<i>OHIO</i>	<i>OKLAHOMA</i>	<i>OREGON</i>	<i>PENNSYLVANIA</i>
<i>High dollar, non-recurring transactions?</i>	For block samples, high dollar transactions would be dependent on those comprising the month(s) sampled; non-recurring transactions would be excluded from the sample and reviewed separately if justified as a truly isolated occurrence. For random or statistical samples, the high dollar transactions would likely fall into the top stratum range and be comprehensively reviewed. However, non-recurring transactions are rarely handled differently in random or statistical samples, especially when full downloads exist and every transaction has a chance of being drawn.	Remove from projection. Treat as single line item.		In block sampling, items \pm 2% of population are not projected. In statistical sampling, especially with stratification, the 2% threshold is not exceeded on individual transactions.
<i>Missing documentation</i>	Persue copies from the vendor or customer, review similar transactions from the same supplier and evaluate the account charged regarding taxability. If the tax status cannot be conclusively determined from these alternatives, we consider the transaction with missing documentation to be an error.	Allow taxpayer to obtain, if possible. If not obtained, include in projection.		No set procedure; the auditor may either decide to assume the item to be taxable or ascertain evidence of taxability from other sources such as similar transactions.
<i>Sample/projection for overpayments?</i>	Must be in conjunction with purchase (not sales) audits wherein a signed agreement exists.	Within Audit - no for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - yes for tax paid to vendor; yes for use tax paid.		Within Audit - no for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - no for tax paid to vendor; no for use tax paid. Subject to 3-year statute of limitations.
<i>Number of samples conducted during most recent calendar or fiscal year (please indicate period).</i>	Calendar Year 2000: Sales & Use Tax: Approximately 1000 audits were conducted using sampling, which were comprised almost entirely of nonstatistical block methodology. However, on 7/1/01, a Computer Assisted Audit Support Group was created, and since then, our number of audits being conducted using random and statistical sampling methodology have increased substantially.	Calendar Year 1999 Sales & Use Tax: Approximately 240 sample audits, all of which were non-statistical.		Calendar Year 1999 Sales & Use Tax: Nonstatistical not tracked; System to track statistical will be implemented sometime in 2001.

	<i>RHODE ISLAND</i>	<i>SOUTH CAROLINA</i>	<i>SOUTH DAKOTA</i>	<i>TENNESSEE</i>
<i>Contact</i>	John Nugent 401-222-6250	David Mays 803-898-5681	Bruce Christensen 605-773-3311	Lee Shockney 615-741-1482
<i>Use of sampling or estimation</i>	Yes	Yes	Yes	Yes
<i>Statutory or regulatory authority</i>	No. Only with consent of the taxpayer.	Yes. 12-54-100	Yes. SDCL § 10-59-35 Written requirements for audit - List of taxable items. Source: SL 1994, ch 105. 64:06:01:35.04. Sample periods for audits. Source: 15 SDR 58, effective Oct.19, 1988; 19 SDR 42, effective Sept. 29, 1992; 20 SDR 103, effective Jan. 10, 1994; 21 SDR 219, effective July 1, 1995; 27 SDR 9, effective Aug. 7, 2000. General Authority: SDCL 10-45-47.1(5), 10-47B-2, 10-59-38, 49-31-51.1(4). Law Implemented: SDCL 10-45-45, 10-47B-2, 10-59-5, 49-31-51.1(4).	No
<i>Written sampling agreements?</i>	Yes	Yes. Agreements are not binding. Notification of sampling procedures provided and signed by taxpayer to document understanding of sampling plan.	Yes. Agreements are not binding on either party. The actual requirements are to explain the sample methods used and supply written notification to the taxpayer of the items to be sampled.	Yes
<i>Informational brochures or publications?</i>	No	Yes. Paper format. Computer Assisted Audit System brochure.	No	Yes. Paper format. Contact: Lee Shockney Lee.shockney@state.tn.us
<i>Sampling techniques</i>	Block/cluster; Time periods	Stratified random; Block/cluster; Time periods	Simple random; Systematic; Block/cluster; Time periods	Stratified statistical; Block/cluster; Time periods
<i>Minimum, maximum or average number of strata?</i>	No	No	No	No
<i>Calculation of sample sizes</i>	Auditor discretion with taxpayer agreement.	Formula	Formula; Transaction & cluster samples are set by formula but time periods are set by policy. It is recommended that 30 days, 4 months, or 15 weeks be used for time period audits. There is some auditor discretion allowed based upon the circumstances of the audit.	Use TSEP (Tax Stratification and Estimation Program) Software.

	<i>RHODE ISLAND</i>	<i>SOUTH CAROLINA</i>	<i>SOUTH DAKOTA</i>	<i>TENNESSEE</i>
<i>Minimum errors to project?</i>	N/A	No	No	No
<i>Projection techniques</i>	Percentage of error.	Percentage of error; Average dollar per unit; End/mean projection; Difference estimator; Mean estimator	Ratio estimator; Difference estimator	Difference estimator for statistical samples; Percent of error for non-statistical samples.
<i>Compute precision or confidence level?</i>	No	Yes. 95% two-sided.	No	Yes. 75% one-sided for statistical samples.
<i>Use adjustment different from point estimate?</i>	N/A	No	No	Yes. 75% Lower Confidence Level (LCL) for assessments in statistical samples; 75% Upper Confidence Level (UCL) for credits in statistical samples.
<i>Range of precision for typical audit</i>	N/A	Between 5% and 20%.	N/A	Not available.
<i>Steps taken when results do not fall within expected precision or confidence?</i>	N/A	Expand the sample; Project anyway; Materiality of expanding sample is discussed with auditor and taxpayer.	No response	Project at 75% confidence level.
<i>Software package(s) for selection and/or evaluation of samples</i>	N/A	ACL	Random number generator obtained from the state of Texas.	ACL; TSEP
<i>High dollar, non-recurring transactions?</i>	Remove from sample - bill separately.	Detail review (with no projection) when performing stratified samples. Included in projection base for block or time period samples.	Based upon the facts of the audit, the auditor has the discretion to either leave the item in the sample or choose to remove it from the errors, remove it from the sample, and remove it and all like transactions from the population and tax them separately.	In statistical samples, 100% of high dollar items are examined.
<i>Missing documentation</i>	Included in sample.	Tax determination made based on information available.	Based upon the audit situation, the auditor is allowed to use his or her discretion. A single missing invoice or resale certificate generally becomes an error where entire blocks of records (6 months due to flooding) generally result in reselection of those items in the sample.	Request missing documentation. If all attempts to find documentation fail, the item will be held taxable.

	RHODE ISLAND	SOUTH CAROLINA	SOUTH DAKOTA	TENNESSEE
<i>Sample/projection for overpayments?</i>	Within Audit - yes for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - no for tax paid to vendor; no for use tax paid.	Within Audit - yes for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - no for tax paid to vendor; no for use tax paid.	Within Audit - no for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - no for tax paid to vendor; no for use tax paid. The purchaser must request any overpayment of sales taxes directly from the vendor.	Yes.
<i>Number of samples conducted during most recent calendar or fiscal year (please indicate period).</i>	Sales & Use Tax: Average 350 nonstatistical per year.	Calendar Year 1999 Sales & Use Tax: 6 statistical; nonstatistical not tracked	Calendar Year 1999 Sales & Use Tax: 200 nonstatistical	Fiscal Year 2003 100 statistical samples Do not keep count of non-statistical samples.

	TEXAS	UTAH	VERMONT	VIRGINIA
Contact	David Rock 512-475-0248	Scott Smith 801-297-4673	Marshall M. Wheelock 802-257-0486	Jim Mason Richard Dotson 804-367-0954 804-786-2126
Use of sampling or estimation	Yes	Yes	Yes	Yes
Statutory or regulatory authority	Yes. Vernon's 111.0042	No. Only with consent of the taxpayer.	No. Agency has discretion to sample.	No
Written sampling agreements?	No. Written notification to the taxpayer must be provided. The statute does not require agreement by the taxpayer. This notification is binding.	Yes. Neither party is bound by signing a sample projection form. Modifications to the sample can be made after initial sample completion.	Yes. The agreement is not binding as either party may seek to adjust findings.	No
Informational brochures or publications?	Yes. Electronic and paper format. Contact: David Rock 512-475-0248 Fax 512-475-0349	No	No	No
Sampling techniques	Stratified random; Simple random; Systematic; Block/cluster; Time periods	Simple random; Systematic; Block/cluster; Time periods	Simple Random; Block/Cluster; Time Periods	Block; Stratified; Systematic
Minimum, maximum or average number of strata?	Yes. Recommend a minimum of 3 strata and a maximum of 12 strata per group.	No	No	Yes
Calculation of sample sizes	Specified minimum number of sample units varies depending on the sampling technique utilized.	Formula; Also, set minimums for each sampling unit (i.e., 30-day minimum for a day sample).	Other; judgment call by examiner and supervisor.	Varies on stratification.
Minimum errors to project?	Yes	No	No	No
Projection techniques	Percentage of error; Average dollar per unit	Percentage of error; Ratio estimator	Percentage of error; Average dollar per unit	Percentage of error
Compute precision or confidence level?	No	No	No	No
Use adjustment different from point estimate?	No	No	No	No
Range of precision for typical audit	Varies depending on the sampling technique used.	Precision is not measured.	N/A	Not measured
Steps taken when results do not fall within expected precision or confidence?	N/A Not computed.	Since confidence and precision are not measured, projection is made regardless of these factors.	N/A	N/A

	<i>TEXAS</i>	<i>UTAH</i>	<i>VERMONT</i>	<i>VIRGINIA</i>
<i>Software package(s) for selection and/or evaluation of samples</i>	Internally developed software package. Incorporates some of the above.	STAR	None	IDEA 2002
<i>High dollar, non-recurring transactions?</i>	These items are detailed.	Treated as extraordinary items. They are removed from the sample projection and assessed separately.	Removed from sample and assessed separately.	Outside of sample
<i>Missing documentation</i>	Considered errors until located. Alternative evidence is allowed.	Treat as taxable error.	Treated as taxable subject to evidence to the contrary.	Treated as taxable
<i>Sample/projection for overpayments?</i>	Within Audit - yes for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - yes for tax paid to vendor; yes for use tax paid. Independent samples created by taxpayers must comply with Comptroller-approved procedures. Samples used must be approved by Comptroller personnel.	Within Audit - yes for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - yes for tax paid to vendor; yes for use tax paid. No limitations.	Within Audit - no for tax paid to vendor; no for use tax paid; Taxpayer-initiated claim - no for tax paid to vendor; no for use tax paid.	Within Audit or Refund Request
<i>Number of samples conducted during most recent calendar or fiscal year (please indicate period).</i>	Calendar Year 2002: Sales & Use Tax: 13,000 samples (approximate)	Fiscal Year End 6/30/2003) Sales & Use Tax: 320 nonstatistical (of 700) Motor Carrier: 143 nonstatistical (of 239) Oil & Gas: 18 nonstatistical (of 18) Motor Fuel: 62 nonstatistical (of 82) Corp. Income: 34 nonstatistical (of 34) Sampling is not used in corporate audits.	Records not kept of sampling usage.	Unknown

	WASHINGTON	WEST VIRGINIA	WISCONSIN	WYOMING
<i>Contact</i>	Scott Elliott 509-482-3838	Alice Hall 304-558-8523	Anthony L. Kliemann 414-227-4518	Rick Scheer 307-777-5209
<i>Use of sampling or estimation</i>	Yes	Yes	Yes	Yes
<i>Statutory or regulatory authority</i>	No. Agency has discretion to sample.	Yes. 110 C. S. R. 15, Section 14.6	Yes. Sec 77.59(2) Wis. Statutes.	Yes. Department rules and regulations.
<i>Written sampling agreements?</i>	Yes. Agreements are binding.	No	No	No
<i>Informational brochures or publications?</i>	Yes. Brochures available for computer assisted audit procedures. A sampling technical manual is also available.	No	Yes. Electronic format. Contact: Anthony L. Kliemann 414-227-4518 or aklieman@dor.state.wi.us or http://www.dor.state.wi.us/html/taxpubs.html	No
<i>Sampling techniques</i>	Stratified random; Simple random; Block; Time periods	Stratified random; Time periods	Stratified random; Time periods; Alphabetically based sample based on customer or vendor name.	Stratified random; Simple random; Systematic; Block/cluster; Time periods
<i>Minimum, maximum or average number of strata?</i>	Yes. Electronic audits: 3-6 strata plus high dollar amounts to be examined in detail.	No	No	No
<i>Calculation of sample sizes</i>	Manual audit: size computed to get 250 minimum items of interest in the sample. Electronic audit: size based on anticipated error rate.	Use internet sites such as www.ncs.com/ncscorp/research/calc.htm	Experience based on attempt to balance several factors.	No response
<i>Minimum errors to project?</i>	Yes. Three errors need to occur in a strata in order to project.	No	No	No
<i>Projection techniques</i>	Ratio estimator; Difference estimator; Mean estimator; Regression estimator	Percentage of error	Average dollar per unit	Percentage of error; Average dollar per unit
<i>Compute precision or confidence level?</i>	Yes. Electronic audit: 80% one-tailed for stratified samples.	No. At the internet site referred to above, we use 95% confidence level and a confidence interval of 5%.	Yes. Prefer precision of <10 precision at 90% two-sided confidence level; accept <20% precision. If precision is greater than 20% we discuss a possible expansion of sample size with taxpayer as way to reduce precision. We may or may not increase the sample size based on negotiations with the taxpayer.	No

	<i>WASHINGTON</i>	<i>WEST VIRGINIA</i>	<i>WISCONSIN</i>	<i>WYOMING</i>
<i>Use adjustment different from point estimate?</i>	Lower Limit - Debits Upper Limit - Credits	No	No; use midpoint as the point estimate.	No
<i>Range of precision for typical audit</i>	30% or better.	See above.	Average precision is less than 10% at 90% confidence, with only a few exceptional cases exceeding 20%.	No response
<i>Steps taken when results do not fall within expected precision or confidence?</i>	Project anyway. Lower bound - state takes the risk and will project anyway. Increase sample size. Disregard the sample results and consider alternate audit procedures.	N/A	Expand the sample; Both sides agree (with knowledge of the precision computations) to accept the results anyway.	Expand the sample
<i>Software package(s) for selection and/or evaluation of samples</i>	ACL; Excel; Washington State E-Sampling Tools (developed by Washington DOR-for internal use).	ACL	Home-grown COBOL programs.	Rat-Stat
<i>High dollar, non-recurring transactions?</i>	High dollar items are put in a separate stratum and examined on an actual basis. Items that are sampled are not adjusted for high dollar items. Errors in high dollar strata are not projected.	Sometimes isolate and remove from sample.	In statistical sample, stratification puts all high dollar items into a stratum that is reviewed 100%. In nonstatistical samples, the nature of the error is taken into account along with other relevant facts to determine a resolution that is fair to both the taxpayer and the state.	Make these transactions "stand-alone" and do not project them.
<i>Missing documentation</i>	Obtain copy from customer/vendor. Review other documentation—other invoices, accrual reports, contracts, etc. 100% taxable when no documentation exists.	Determination is made after consideration of other factors in the audit.	Initially they are presumed taxable and presumed that no tax was paid. The taxpayer can convince the auditor that such a presumption is probably wrong based on other evidence available. The auditor has a great deal of discretion in this area, if a claim is made based on facts. The taxpayer always has the option of obtaining a copy of the invoice from the vendor, which would then settle the issue.	Have to sample what information is there and project the result based on "best information available" (BIA). Missing documents counted as an error.

	WASHINGTON	WEST VIRGINIA	WISCONSIN	WYOMING
<i>Sample/projection for overpayments?</i>	Within Audit - yes for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - yes for tax paid to vendor; yes for use tax paid. Sampling design must be agreed to by state. Sample items must be available for review. Verify/evaluate results.	Within Audit - sometimes for tax paid to vendor; sometimes for use tax paid; Taxpayer-initiated claim - sometimes for tax paid to vendor; sometimes for use tax paid.	Within Audit - yes for tax paid to vendor; yes for use tax paid. We apply the same procedures for overpayments that we do for underpayments.	Within Audit - no for tax paid to vendor; yes for use tax paid; Taxpayer-initiated claim - no for tax paid to vendor; no for use tax paid. If they accrue their own taxes in error we can give them credit.
<i>Number of samples conducted during most recent calendar or fiscal year (please indicate period).</i>	Calendar 2003: Sales & Use Tax: 2050 nonstatistical; 36 statistical	Calendar Year 1999 Sales & Use Tax: 700 nonstatistical 1 statistical (partly statistical as described in above).	Calendar Year 1999 Sales & Use Tax: 1000 nonstatistical 60 statistical Income Tax: Few nonstatistical 0 statistical	Calendar Year 1999 Sales & Use Tax: 211 nonstatistical IFTA/IRP: 66 nonstatistical Fuel Tax: 22 nonstatistical

	<i>New York City</i>
<i>Contact</i>	Jeffrey Talan 718-403-3659
<i>Use of sampling or estimation</i>	NYC does not currently use sampling or other estimation methods; nor does NYC intend to do so in the future.
<i>Statutory or regulatory authority</i>	No; only with the consent of the taxpayer.
<i>Written sampling agreements?</i>	Yes. Sampling agreements would be required and would be binding.
<i>Informational brochures or publications?</i>	Yes. Contact: Jeffrey Talan 345 Adams St. 7 th Fl Brooklyn NY, 11201 talanj@doflan.ci.nyc.ny.us
<i>Sampling techniques</i>	Stratified random
<i>Minimum, maximum or average number of strata?</i>	No
<i>Calculation of sample sizes</i>	Formula
<i>Minimum errors to project?</i>	No
<i>Projection techniques</i>	Percentage of error
<i>Compute precision or confidence level?</i>	Yes. 90%, two-tailed.
<i>Use adjustment different from point estimate?</i>	No response
<i>Range of precision for typical audit</i>	Although we have methodology in place, we do not use it.
<i>Steps taken when results do not fall within expected precision or confidence?</i>	No response.
<i>Software package(s) for selection and/or evaluation of samples</i>	No response.

	<i>New York City</i>
<i>High dollar, non-recurring transactions?</i>	No response.
<i>Missing documentation</i>	No response.
<i>Sample/projection for overpayments?</i>	Don't use.
<i>Number of samples conducted during most recent calendar or fiscal year (please indicate period).</i>	None