


# Field Audit Process



Diane Wittman

November 7, 2013

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## Agenda

- Selection of returns
- Field examination process
- Audit conclusion




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## Return Selection Process

- Automated comparison with "norms"
- Review by experienced examiner
- Review by manager
- Review by assigned examiner




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### Field Examination Process

- Different from Office Examinations performed in IRS offices
- Conducted where books and records are located
- Conducted at taxpayer's place of business




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### Field Examination Process

- Initial contact
- Initial appointment and tour of business
- Review of records
- Closing conference




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### Initial Contact, Telephone or Letter

- Audit selection
- Taxpayer rights
- Audit issues
- Location of the taxpayer's records
- Scheduling the initial appointment




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### Initial Contact – Rights

- Right to representation
- Right to privacy
- Innocent spouse guidelines




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### Initial Contact

- Contact may be made with taxpayer's representative if Form 2848 on file
- Discuss same items with representative and taxpayer
- Discussion of records available used to:
  - Aid in determining length of initial appointment
  - Reduce overall length of examination




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### Initial Appointment

- Generally scheduled within 14 days of first case action
- May last more than one day
- Usually includes tour of business
- Includes walk-through of records and record maintenance




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### Record Review

- Need access to summary records, books, and source documents
- Full set of books reviewed
- Will generally sample source documents
- Information document request issued, if additional items needed to complete examination




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### Mutual Commitment Date

- Discusses roles and responsibilities of all parties involved with audit
- Covers time needed to obtain, provide and review additional information
- Sets tentative date for review of records




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### Mutual Responsibilities

- Identify and discuss potential areas of audit
- Request and provide pertinent information to determine correct tax treatment
- Apply tax law to taxpayer's facts
- Keep all parties advised of unavoidable delays




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### Mutual Responsibilities (Cont'd)

- Address all parties' questions and concerns
- Keep all parties informed
- Agree on communication plan
- Complete actions and responsibilities timely




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### Revision of MCD

- Issues change from what is known at end of initial appointment
- Additional years are added to audit
- Additional taxpayers are added to audit
- New MCD set if revision is necessary




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### Closing Conference

- Present findings based on audited documents
- May result in:
  - No changes
  - Refund
  - Tax due




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### Closing Conference (Cont'd)

- Agree – Payment solicited for taxes due
- Disagree
  - Manager meeting
  - Fast track mediation or settlement
  - Appeals Office
  - Statutory Notice




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### IRS.gov Audit Resources

- IRS video portal, search Keyword "videos"
  - Your Guide to an IRS Audit
  - IRS Accepts Taxpayer Accounting Records in Electronic Format for Small Business/Self-employed Examinations
- Publication 556
- Publication 3498
- Publication 3605




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### SB/SE Appeals Fast Track Settlement Program



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### SB/SE Appeals FTS

- Alternative Dispute Resolution Program
- Provides an opportunity for SB/SE taxpayers to expedite case resolution at earliest possible level




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### FTS - Background

- Announcement 2006-61
- Announcement 2007-200
- Announcement 2008-10
- Announcement 2011-5




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### FTS Expands Nationwide in 2013

- The expansion will occur in three stages:
  - Phase 1: adds Atlanta, New York City, Phoenix, and Tampa to current locations – **effective now**
  - Phase 2: adds Detroit and Seattle - **effective now**, and
  - Phase 3: program goes nationwide by the end of 2013




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### FTS Success

- All parties in case participate in FTS session
- FTS official
  - Trained in mediation techniques
  - Delegated settlement authority
- 60-day resolution goal




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### FTS Offer Time Frames

- Offered and/or requested prior to the issuance of a 30-day letter by Exam
- Always prior to issuance of Statutory Notice of Deficiency




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### FTS Procedures

- Completion/acceptance of Form 14017, Application for Fast Track Settlement
- FTS session arranged by FTS Official
- FTS Official facilitates discussions utilizing mediation techniques and settlement authority




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### FTS Eligibility

- Non-docketed cases
- Fully-developed cases




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### FTS Exclusions

- TEFRA cases
- Collection Due Process, Offer in Compromise, and Trust Fund Recovery Penalty cases
- Whipsaw issues
- Correspondence cases worked solely at a campus
- Frivolous issues
- Uncooperative taxpayers




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### FTS Agreement Reached

- Parties sign Form 14000 FT Session Report agreeing to settlement
- Report of final agreed issues will be prepared and executed by taxpayer and/or representative
- Case closed by SB/SE




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### No FTS Agreement Reached

- Taxpayer retains all appeal rights
- 30-day letter will be issued
- Taxpayer will prepare formal protest if required
- Case sent to Appeals for traditional appeals processing
- Case assigned to different appeals officer (not the same FTS Official)
- All information related to FTS session will be expunged from file




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### Prohibition of Ex-Parte Communications

- Does not apply to communications arising in FTS process because Appeals personnel are:
  - facilitating an agreement
  - not acting in their traditional settlement role




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### FTS Benefits

- Significantly reduces overall IRS experience
- Reduced interest costs
- Fewer IRS contacts
- Lower representation fees
- Prompt resolution




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### FTS Benefits for Tax Professional

- High satisfaction rate with the program and outcomes (according to survey results)
- Faster resolution time
- Face-to-face meeting with all parties
- Still retains full appeal rights if no agreement reached



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### Visit IRS.gov

- Search Keyword "Alternative Dispute Resolution" .
- Watch the FTS Process video for an overview.



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