

STATE OF ARIZONA

Department of Revenue



July 4, 2015

Example Taxpayer
Example
Attn: Joe Public
132 Oak St.
Phoenix, AZ 85023

Tom Johnson
Assistant Director

Tami Benson
Administrator

RE: Field Audit Appointment Confirmation Letter

TAX TYPE: Transaction Privilege & Use Tax

LICENSE #: 7999999

Dear Taxpayer:

This letter is to confirm our appointment on 1-Jun-15 at 9:00 AM to conduct a Transaction Privilege (Sales) and Use Tax audit of Example for the audit period beginning 7/1/2011 through 7/31/2015.

This audit will be conducted in accordance with the provisions of the Arizona Revised Statutes and the Model City Tax Code and will be conducted on behalf of all taxing jurisdictions as required by A.R.S. §42-6002 (C)(5).

If you wish to be represented by an attorney, accountant, company employee, or others during the course of the audit, please complete and sign an Arizona Form 285, General Disclosure/Representative Authorization Form. A taxpayer may use Form 285 to authorize the department to release confidential information to the taxpayer's Appointee. The department may have to disclose confidential information to fully discuss tax issues with, or respond to tax questions by, the Appointee. A taxpayer may also use Form 285 to grant additional powers to the Appointee, up to and including a power of attorney.

Enclosed is a list of required documentation required for the audit. However, additional information may be requested in the future if it is necessary for the completion of the audit.

If you have any questions regarding this audit, please contact the auditor at the contact information below.

Sincerely,

Joe Auditor
ADOR Auditor Number: 845
Phone: (602) 716-0000
Fax: (602) 542-5005
E-mail: jauditor@domain.gov

AUDIT PROCEDURE

Transaction Privilege Tax

1. Opening interview, review of internal controls.
2. Verify what records are available for download/Confirm format.
3. Schedule gross receipts and deductions for entire audit period.
4. Compare State and City and Town tax worksheets and reports.
5. Trace monthly totals from tax return worksheets to summary records and then to intermediate document sources (e.g., general ledger, sales journal, financial statements).
6. Sample source documents (e.g., invoices, cash register tapes) to verify gross receipts and classification. Review special records (e.g., contracts, leases, employee meal records, trade-out records).

Use Tax

1. Schedule taxable use and/or purchases of tangible personal property.
2. Compare State and City and Town tax worksheets and reports.
3. Trace worksheets totals to summary records for fixed asset and expense items.
4. Sample vendor invoice files, complimentary/promotional item records, inventory reductions for own use.

Audit Completion

Upon completion of the field portion of the audit, the auditor will prepare preliminary audit results. These results will be reviewed by each jurisdiction and copies will be provided for your review. A closing review will then be held before the audit is finalized.

RECORDS REQUIREMENTS LIST

Audit Opening

The auditor will review all of the activities of your entity operating in Arizona whose records you maintain. For each operation, the following records must be assembled and available at the audit opening:

1. Complete chart of accounts for the entire audit period. Must show account number, account name, and descriptive use of account.
2. Complete chart of tax codes (if used) for the entire audit period. Must show code numbers and how they are used.
3. Complete listing of locations in Arizona, with key to location codes (if used), for entire audit period.
4. All City and Town (Sales) and Use Tax reports including tax worksheets for the entire audit period.
5. All State of Arizona Privilege (Sales) and Use Tax reports including tax worksheets for the entire audit period.
6. Summary records (i.e., records used to prepare tax worksheets for Cities, Towns and State returns, general ledger, sales journals and/or specific summary records prepared for or by the Tax Department).

Note: A. These records must show total gross receipts for the State of Arizona and for each jurisdiction included in the scope of this audit, including any gross receipts exempted.

B. These records must also show any deductions taken on the tax reports.

7. Schedule of fixed assets for all locations for entire audit period.
8. Purchases records for all locations (accounts payable files) for entire audit period.

Sample of Source documents

Sample method and test items/periods will be chosen, if needed, after a review of internal control procedures is made and gross receipts are scheduled. The following records will then be needed:

1. Source Documents (invoices, daily reports, contracts, AIA statements, etc.) for the sample only.
2. Schedule of bad debts for sample only (include all supporting documents; i.e., invoices, etc.)
3. Supporting documentation for transactions in the sample which were exempted from Privilege Tax.
4. Vendor invoices for purchases within the sample.