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AUDIT – 10 TIPS TO HANDLE FIELD AUDITS

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There are **three basic types of audits**: correspondence, office, and field examinations. Correspondence audits are the simplest ones – W2s, 1099s and other items that can be easily resolved by mail. Office audits are more complicated and involve small businesses and individuals with difficult issues. The exams are conducted at the IRS offices (not your office). **Field audits are conducted at your place of business**. The audits are done by **Revenue Agents** who hold advanced degrees and have many years of experience. Many are CPAs and attorneys. The goal of a field audit is to review books and records of businesses and individuals with complex issues to determine if the proper taxes have been paid.

Field audits are different from correspondence and office audits and should be monitored closer because this type of audit is done right at your office, store, shop, or warehouse. You have to be more careful because there are employees and possibly customers in the premises. It gives the agent a chance to see and feel how you operate your business. With this in mind, let me give you **10 tips on how to handle field audits**.

1. **Plan the engagement** with your representative - CPA, Enrolled Agent, or Attorney (**don't attempt to handle field audits yourself**). **It is far too complicated for you. You are no match for a Revenue Agent.**
2. Designate a **contact person** to act as a liaison between you, your rep, and the auditor to **assemble and regulate** the flow of information with the IRS. The contact person should review all information before it is turned over to the IRS and be present during tours and interviews of employees. This setup will increase the likelihood that the information provided to the IRS is **organized, complete, and focused**.
3. The agent should deal **only with this one person**. The agent should **not be allowed to chat with employees or request any document from anybody**. Everything should be coursed through this contact person.
4. The agent should not be allowed to conduct a **tour of the facilities without** your CPA, enrolled agent, or lawyer. This should be done at the beginning of the audit with your rep.
5. **Designate a room** for the agent. Clean up all files beforehand. Keep the door closed so the agent cannot overhear business discussions. This room therefore should be as far as possible from financial areas.
6. If no room is available, place the agent **far** from sensitive areas. Tell workers not to discuss business issues within hearing distance of the agent. Instruct workers to remind each other of the agent's presence.
7. If you think of placing the agent **with the contact person for convenience and monitoring**, don't. This will create an atmosphere for **talking**. And when they talk, you could have *problemas mas grande*.
8. Provide **only data that are requested**. **Not more.**
9. The contact person should notify your rep if **additional issues** arise.
10. Make sure that the **contact person understands his/her role**: a contact person with no authority to argue issues or settle things with the agent.

And most important, tell employees to treat the agent with the **courtesy and respect**. No IRS jokes, please. ☺