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WHERE TO CONDUCT IRS FIELD AUDITS

By Victor Sy, CPA, MBA

Field audits are conducted **where the books and records of a business are maintained**. This, of course, is your principal place of business.

After representing taxpayers in IRS disputes for more than 34 years, I would rather have your audit conducted **at my office**, as your representative. Let me tell you why: I do not want a Revenue Agent **snooping around your office, store, shop, or warehouse**. I do not want the agent **interviewing your employees**. I do not want your **customers or clients noticing an IRS agent in the premises**. It is **not good for business**. It is not good for employee morale.

Establish an internal team before the IRS meeting. Assign a “**contact person**” 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**.

So how do we move the audit from your place of business? IRS regulations state that if conducting the audit at the place of business would essentially require the business to **close or would unduly disrupt** business operations, the agent can **change the place of the exam** to an IRS office. This, of course, would be the second choice.

The first choice is your **representative's office** (my office for my clients). This shifts the auditor's venue from your office to mine. We do not have to worry about the agent overhearing employees talking or observing business operations. I can control the flow of information, the timing of interviews, and the general course of the audit at my office.

The agent will resist the change so we just have to be persistent. One way is to request for a site where the **main** books and records are located. The main books are sales journals, cash receipts journals, cash disbursements journals, general ledger, and trial balance that are all located in my office. **Backup** records such as receipts and invoices are at your place of business and can be produced as requested. It may not work but if you are persistent enough, the agent and his/her manager may permit the change of venue.

The agent will then request a “tour” (**on-site inspection**). That is fine. They are required to do that. The agent has to document such visit in his/her workpaper. Here are a few tips. Your accountant should accompany the agent. Your presence is not required and should even be discouraged. The tour should be brief and general, no looking in every room or closet, no thumbing through files (your files are at my office, remember?).

Make sure that requested invoices, receipts, bank statements and other **documents are at my office**; otherwise, the rationale for the change of venue is blown. This would be embarrassing. In the meantime, **conduct your business as usual** and let me take care of your audit at my office. Under my supervision. Under my control. Good day. ☺