

State of New Mexico
Taxation & Revenue Department
Audit & Compliance Division

GENERAL

AUDIT

MANUAL

INTRODUCTION TO THE AUDIT MANUAL

This Audit Manual is a compilation of current audit guidelines of the Audit & Compliance Division of the New Mexico Taxation and Revenue Department.

AUDIT MANUAL OBJECTIVES

The Audit Manual is designed to meet the following objectives:

1. To serve as the primary reference source for the audit process for Department auditors.
2. To assist new auditors in their professional development.
3. To provide auditors with guidelines for applying audit techniques.

NATURE OF THE MANUAL

APPLICABILITY

This manual, and supplements, replaces and supersedes previous manuals and supplements.

AFFECT

No estoppel of the Department, pursuant to the provisions of the Tax Administration Act, can be affected on the basis of this Audit Manual. As stated in Subsection B (4) of Section 9-11-6.2 NMSA 1978, the Audit Manual is instructional and procedural. It does not deal with the merits of any tax, but is an aid in the accomplishment of the duties of the Director.

The Audit Manual is not a legal document and no regulations or rulings are issued by publication of this manual.

REVISIONS

General Audit Manual

This section will be revised and updated by the Audit & Compliance Division as necessary.

Auditors are encouraged to submit suggestions for improving or expanding the Audit Manual to their Supervisor or Bureau Chief.

OVERVIEW OF TAX AUDITS

The General Audit Manual (GAM) provides an overview of the purpose of tax audits and defines important audit concepts. This section also describes the organization of the Audit & Compliance Division with respect to the audit function.

PRIMARY AUDIT OBJECTIVES

Audits performed by the Audit & Compliance Division (ACD) have basic objectives:

1. To administer and enforce the law for each tax program in an equitable manner.
2. To determine proper reporting of the taxpayers audited.
3. To promote accuracy in self-reporting of taxes by educating taxpayers in the application of tax statutes and regulations.
4. To promote voluntary compliance of taxpayers through “visibility” of audit presence.

ROLES AND RESPONSIBILITIES IN AUDITING

To achieve these objectives, several persons and/or groups interact and affect the audit process. The following pages list those persons and groups and give a summary of their roles.

TAXPAYERS –

The entire audit process is based upon the taxpayers’ books and records. The taxpayers’ verbal and written statements may also provide crucial information on tax liability. The taxpayers’ knowledge of the law is necessary for future compliance.

AUDITORS –

The auditor may be the only one, who reviews the taxpayer records, interviews the taxpayer face to face, analyzes reporting of taxes, and educates the Taxpayer on statutes and regulations controlling filing requirements. Therefore, the auditor’s primary responsibility is achieving the general audit objectives discussed above.

Auditors must gather the facts:

- What does the business do in NM?
- How does the business do it in NM?
- How does it relate to taxation?
- Document findings.
- Keep the taxpayer informed.

SUPERVISORS –

The audit supervisors are responsible for training, overseeing, and directing the efforts of the auditors, to assure the audit resources available are applied in a way to achieve the primary audit objectives. Supervisors assist auditors by making available the necessary tools, training, and guidance. Supervisors are responsible for monitoring workloads, evaluating individual auditor performance, and reviewing each part of an audit to the extent necessary to assure that the final audit package meets division quality standards. Supervisors are also responsible for the productivity of their sections.

BUREAU CHIEFS –

The Audit Bureau Chiefs direct the activities of the bureaus. Audit Bureau Chiefs are responsible for bureau/district level goal setting to meet the Division’s objectives. Bureau

Chiefs are responsible for directing the unit supervisors in meeting team goals with the most efficient use of department resources. Bureau Chiefs are also responsible for the development of audit tools to enable the audit section to perform optimally including training, manual updates, and determination and dissemination of technical and policy information.

AUDIT TECHNICAL SUPPORT SERVICES (ATSS) –

ATSS reports to the Economist Supervisor. ATSS's primary functions include audit review and assessment, quality control, technical advice, statistical reports, and the provision of feedback to management on individual, section, and division performance.

PROTEST OFFICE –

The Protest Office handles taxpayer protests of audit assessments as well as protests of other enforcement activities. The protest office reports to the Legal Services Bureau. Protest personnel review, verify taxability, rework, and look at legal issues involved in the protest.

LEGAL SERVICES BUREAU –

The Legal Services Bureau is the legal resource for Audit. Legal Services assists the Audit & Compliance Division by providing legal advice regarding audit policy and resolving questions related to the interpretation and application of tax law. This office also defends the actions of the Department during administrative hearings.

DEPUTY DIRECTOR-AUDIT –

The Deputy Director-Audit is responsible for program level performance standards for the Combined Reporting System, Corporate Income, PTE Withholding, Personal Income, Oil & Gas, Miscellaneous, and Fuel taxes.

DIRECTOR'S OFFICE –

The Audit & Compliance Division Director's Office is responsible for establishing the overall goals for Division activity. The Director functions as the liaison with the Cabinet Secretary's Office, and along with the Deputy Director-Audit ensures that the work of the Audit Section is worthwhile and effective to meet division goals.

SECRETARY'S OFFICE –

The Secretary's Office is responsible for interaction with the Legislature in the creation of tax statutes, promulgating necessary regulations, and writing rulings.

COMMUNICATION

Audit personnel are expected to comply with the following guidelines for communication of audit information.

AUDITORS –

When an auditor has audit related information or questions that need consideration or answers, the auditor should first discuss with their supervisor. The supervisor may address the issue or may instruct the auditor to contact another employee or supervisor. If the supervisor is not available, the auditor should talk with the Bureau Chief or the Deputy Director-Audit.

SUPERVISORS –

If an audit supervisor has information or questions related to auditing, they should refer them to the Bureau Chief, unless otherwise instructed. The Bureau Chief or Deputy Director-Audit may address the issue or may direct the supervisor to contact other offices.

BUREAU CHIEFS –

Bureau Chiefs may instruct supervisors to refer certain information and questions to ATSS or the Deputy Director-Audit. If Protest or Legal interaction is necessary, it will be coordinated through the Bureau Chief or Deputy Director-Audit.

ATSS –

If a member of the ATSS team has information or questions related to audits, the questions should be referred to the appropriate supervisor and Bureau Chief that is responsible for the audit. Also, ATSS will communicate any proposed procedural or policy changes that may arise to Bureau Chief and Deputy Director-Audit and recommend any policy and training needed.

PROTEST OFFICE –

The Protest Office should not be contacted directly by auditors or Supervisors. Questions and information for the Protest Office should be routed through their Bureau Chief or Deputy Director-Audit, unless otherwise instructed.

Certain critical information on audits should be communicated to the audit supervisor, the Bureau Chief, and the Deputy Director-Audit as soon as the auditor has obtained that information. This includes:

- Refusal of a taxpayer to provide records.
- Refusal of a taxpayer to sign a waiver.
- Statements by the taxpayer that they intend to contact the Secretary, Governor, or other state official.
- Threats made by a taxpayer.
- Possible fraud.
- Possible bankruptcy.
- Taxpayer doing business with the Department.
- Any event that might critically jeopardize the state's interest.

THE AUDIT PROCESS

Tax audits follow the taxpayer bill of rights timeline and have four stages: pre-audit research, investigation/fieldwork, workpaper documentation (write-up), and review.

PRE-AUDIT RESEARCH –

The purpose of pre-audit research and audit planning is to decide if the audit case assignment meets the initial criteria for selection and to make a preliminary determination of audit engagement. Pre-audit research will vary according to tax program, but will include a review of Department records, initial contact with the taxpayer, and discussion with the audit supervisor. The auditor should use the results of such research to develop the audit approach and to budget time for the audit. Thorough research in the office should reduce fieldwork time and should assist the auditor by disclosing any irregularities which need to be investigated.

INVESTIGATION / FIELDWORK –

Investigation often commences with an initial interview at the taxpayer's place of business, includes fieldwork, and ends with an exit interview. However, investigation may also be done by the auditor in the office. The initial interview should be viewed as an opportunity to gain knowledge useful in making the audit more effective and efficient. The auditor should discuss the taxpayer bill of rights timeline and audit procedures with the taxpayer to assure understand of the audit process. The auditor should discuss documentation needed to ensure that the information obtained is accurate. Auditors may ask taxpayers to provide specific records containing the information necessary and should work with the taxpayer in obtaining the records and information requested. The auditor should use the exit interview to explain the results of the audit, provide draft workpapers, inform the taxpayer of any additional documentation needed, explain available remedies, and educate the taxpayer to correctly report.

AUDIT DOCUMENTATION (WRITE UP) –

Documenting the audit is continuous throughout the entire audit process. Interviews and investigative procedures are used by the auditors to record (or document) their findings and conclusions to accurately determine audit exceptions. The write up stage includes organizing and editing the draft workpapers and narratives into a final report. This process creates the permanent workpaper file which becomes the documentation that supports an assessment.

It is neither prudent nor possible to document every aspect of the audit procedures performed. The auditor must use professional judgment to determine what information is necessary to support exceptions noted and what is not. Audit policy requires certain minimum information be included in the audit.

REVIEW –

The review process assures that the audits meet the Division's quality standards and that audit procedures are consistent throughout the Department. There are four main reviews all audits must go through, auditor review, peer review, supervisor review, and ATSS review. The auditor/peer review ensures that the audit is reviewed thoroughly.

The supervisor reviews the audit throughout all phases to the extent necessary to determine that correct procedures are applied, workpapers are properly documented, correct statutes and regulations are used, and narratives are well documented. ATSS review focuses on even handed application and adherence to tax law and audit policy. This review also confirms that the audit contains all information necessary to defend the audit in case of protest. Finally, the ATSS review serves to determine if the auditor, peer, and supervisor's review procedures are sufficient.

TYPES OF AUDITS

There are certain classifications of audits for every tax program audited by the Department. An audit can have more than one classification. Below are the common classifications:

ROUTINE (FIELD)-

Routine audits are audits selected and assigned from the Data Warehouse using data analytics to determine possible reporting inconsistencies.

MANAGED (DESK) –

These audits are requested by the taxpayer. Two types of managed audits are available to taxpayers. Type A – taxpayer conducts a self-audit and self-assesses. The audit periods remain open for possible field audit. Type B – taxpayer works with auditor to conduct field audit procedures and field audit write-up. The audit periods are closed from further audit.

IN-STATE –

These audits are generally assigned to the district in which the taxpayer is located.

OUT-OF-STATE –

These audits are generally assigned to facilitate compliance and may result in a one or two week “audit trip”.

AUDIT PERIOD –

The audits are for the current audit period which is three years plus the current year up to the last due reporting period before the date of an audit. Audit may also include previous years as allowed by the Statue of Limitations - Section 7-1-18 NMSA 1978.

AUDITING STANDARDS

The remainder of this manual is devoted to further defining the systematic process of tax auditing. This section defines the characteristics of a tax auditor and discusses the standards that the Taxation and Revenue Department and its auditors must meet for the Department to achieve its objectives.

PROFESSIONAL STANDARDS

Professional standards constitute a minimum acceptable level of performance by an auditor. The profession has generally accepted standards for financial auditing and uses them for determining accountability. These standards apply to tax auditors as well. However, Taxation and Revenue Department auditors are subject to higher standards of conduct in some areas. The standards that serve as guidelines for appropriate professional conduct of a tax auditor are described on the following pages.

INDEPENDENCE

For the results of a tax auditor's investigation to be relied upon by taxpayers and third parties, the auditor must be independent. Independence is generally discussed in two parts: "independence in appearance" and "independence in fact." Both are necessary to defend against the criticism that the audit process might be biased.

"Independence in appearance" means an auditor is free from financial interests in the taxpayer being audited; is not employed by the taxpayer; does not have close personal ties with the taxpayer; nor has any relationship with the taxpayer that a third party would consider an impairment of the auditor's judgment.

"Independence in fact" is a personal characteristic. It relates to the auditor's objectivity and integrity. The auditor must evaluate audit evidence in a manner that treats all taxpayers equitably. To determine independence in fact, the auditor must evaluate his or her ability to make judgments with respect to the taxpayer, regardless of appearance.

If the auditor believes that independence in appearance or fact could be compromised, the auditor and audit supervisor should re-evaluate the assignment immediately. The audit supervisor can evaluate the problem and either confirm the assignment or re-assign the audit to another auditor. This evaluation process gives credibility to the auditor and the Department.

Taxation and Revenue Department auditors must also comply with the State Conflict of Interest Statute and the Department's Code of Conduct. The penalty for failing to comply with the statute or the code may be disciplinary action including dismissal. Note that the statute and code apply to interactions with all taxpayers, not just those that are being audited.

Some of the activities prohibited by the Conflict of Interest Statute and the Code of Conduct include:

- Preparing tax returns other than for immediate family or as part of the regular services offered by the Department,
- Using information about taxpayers gained as the result of being employed by the Department for personal benefit,
- Performing bookkeeping or accounting services, whether for payment or not,
- Asking for or accepting favors or bribes from taxpayers, and
- Misuse of equipment or supplies.

Auditors should be familiar with the statute and the code to ensure they are in compliance with the rules set out.

In addition, each year the Department asks employees to submit disclosures of all relationships which might give rise to a conflict of interest. Such relationships include owning or being part owner in any business, partnership, corporation, or other organization for profit or for the conduct of business. Most of these relationships are permissible; however, failure to disclose them is a violation of the Conflict of Interest Statute. Before becoming involved in any business activity auditors should get approval in writing from the Secretary. The Secretary makes the final determination whether participation in an outside business is permissible.

During an audit, the auditor is encouraged to develop a cooperative working relationship with the taxpayer and/or taxpayer's representative. However, the auditor must not develop any relationship beyond this which would endanger the auditor's independence.

DUE PROFESSIONAL CARE

During an audit, the auditor must perform the procedures and prepare the report in accordance with accepted and appropriate methods. The auditor should use due professional care in applying audit procedures to obtain accurate and fairly stated results. "Due professional care" is the concept that encompasses the auditor's responsibility for being adequately trained, prepared, and able to do the job assigned. This includes adequate knowledge of the taxpayer's industry.

Due professional care is usually defined as the care that a reasonable person in the same profession and the same situation would exercise to achieve the desired results. Again, tax auditors are subject to public scrutiny and it is the public that defines due professional care. In addition, the auditor owes a duty of care to the Department to protect the state's interest.

The responsibility for exercising due professional care is one that management must also address. To assist auditors in using accepted and appropriate methods, the division management provides auditors with tools and training. One of the primary tools provided is the Audit Manual. Therefore, a large portion of the auditor's responsibility for due professional care is to comply with the audit guidelines as set forth in this manual and other official sources and to participate in training and self-development. In addition, when performing audits, the auditor's conclusions must be based on the verified facts as determined by the auditor.

CONFIDENTIALITY

The auditor must always protect the confidentiality of the taxpayer. Confidentiality is a requirement of the Tax Administration Act, per Section 7-1-8 NMSA 1978.

Auditors must take all reasonable measures to assure that the audit is a confidential matter between the Department and the taxpayer. The auditor should not discuss the audit with anyone at the taxpayer's business, other than the employees designated by the taxpayer to handle the audit. The auditor should also take care when discussing the audit with other Taxation and Revenue Department employees. Only employees who have a valid cause to discuss the audit should do so and then, only to the extent necessary.

Auditors should try to avoid any action that might indirectly cause a breach of confidentiality. For instance, if an auditor gives the phone number where he will be auditing to a friend or relative, this may result in that person finding out the name of the taxpayer being audited. While this may seem overly strict, it is important that auditors keep in mind that the public they serve depends on them to maintain the confidentiality of information entrusted to the Department. Furthermore, many people see an audit as an indication that the taxpayer has done something wrong. Therefore, auditors should take every precaution to protect audit scheduling information.

Another aspect of confidentiality applies to the use of information. Auditors and other Department employees are constrained from using any information obtained as the result of their employment for any purpose other than in the performance of their duties.

The auditor should use discretion in disclosing to the taxpayer the reason for the audit. If the audit is the result of a referral by a third party, the auditor should avoid disclosing any information to the taxpayer that would allow the taxpayer to identify the source.

STANDARDS OF FIELD WORK

Planning of the audit must be precise and well-founded. Reasons for the audit must be understood by both supervisor and auditor(s).

- Supervision
 - The supervisor is committed to review auditor work for consistent application of tax law. Achieved by reviewing the completed audit package and supervision of auditor work in the field. [DON'T UNDERSTAND THIS STATEMENT?]
- Internal Control Study and Evaluation
 - The auditor must have sufficient knowledge of the taxpayer's accounting system to determine the level of internal control present to ascertain the testing procedures necessary.
- Evidence
 - The auditor is the gatherer of facts and must explain what, how, and why procedures were performed and conclusions were reached.
 - The auditor must be able to effectively communicate why the taxpayer's activities are taxable or not taxable; and how the taxable or non-taxable activities relate to New Mexico statutes and regulations.
- Standard of Reporting
 - The report must contain a clear statement of the scope of the audit and must also clearly state and describe the results of the auditor's examination.
 - The report should also adhere to the following reporting standards when applicable:
 - GAAP
 - GAAS
 - Consistency
 - Disclosure
 - Opinion

PROFESSIONALISM

Auditors are professionals. A professional is distinguished by four characteristics:

1. Having a specialized body of technical knowledge,
2. Meeting standards of admission to the profession (education, experience, testing, etc.),
3. Self-regulation (both the individual and the profession as a whole), and
4. Acceptance by the public.

If the profession or the individual professional fails to meet these characteristics, the results can be very damaging, especially with respect to self-regulation. For instance, if an auditor is not independent in approaching audits or does not exercise due care, it is impossible for the profession to continue to allow that auditor to represent the profession. Self-regulation means the auditor must be able to justify his or her actions to management. Management in turn must justify the actions of the Department to the public.

Professionalism has two components, the visible component, or the appearance of professionalism, and the factual component. It is not sufficient to be a professional in fact alone. Auditors must also strive for a professional appearance. This can be achieved by always acting in accordance with professional standards, being well prepared for the job, and treating the public with respect and courtesy.

If auditors strive for professional appearance, then public acceptance is increased, which in turn contributes to the Department being better able to meet its objectives. Auditors must never use the power of their office to intimidate taxpayers. There are legal methods for dealing with uncooperative taxpayers. Those methods are sufficient without using aggressive tactics or misusing authority.

It is critical that the auditor and the taxpayer understand each other's position. There are times the parties involved will disagree on the application of the tax law. The auditor should not argue with the taxpayer regarding any matter. If the taxpayer refuses to discuss his or her position without arguing, the auditor should close the discussion and inform the taxpayer of the available remedies.

Professionalism applies to all the activities of an auditor. Whether through written correspondence, phone conversations, or face-to-face interactions, the auditor has the responsibility to make sure his or her actions reflect favorably on the Department. Consideration and courtesy should also be practiced among audit team members.

SUPERVISION

All auditors must be properly supervised. The level of supervision will be dependent upon the auditor's experience and expertise. Therefore, supervision will vary based on the auditor and the circumstances of the audit.

It is the supervisor's responsibility to be sufficiently involved with the audit to make sure that

the auditor follows all Audit Manual guidelines, Technical and Policy Memorandums, Rulings, Decision and Orders, and Statutes and Regulations. Supervisors may also require lead auditors to give feedback on assisting auditors concerning their performance during team audits.

Each audit supervisor is responsible for the performance of his or her unit. The supervisor should provide timely guidance to auditors, to assure that professional standards are met and that the unit performs efficiently.

It is the responsibility of each auditor to perform the duties assigned to them by their supervisor in accordance with professional standards. Therefore, each auditor should use his or her supervisor as a resource to obtain training and development, to answer technical questions, to get feedback on performance, and for assistance in planning audit activity.

The supervisor should provide opportunities for career and professional development for the auditors in their unit. Each supervisor must balance audit production against the training and development needs of individual auditors.

TRAINING

It is the responsibility of Division management to ensure sufficient training is provided to auditors. Training provided may come in the form of classroom instruction, on-the-job training, cross training, and/or feedback on audits completed.

It is the responsibility of each auditor to complete all required training. Professional standards require auditors to determine what additional training is needed to continue their professional development. The Department has a long-standing commitment to training and assistance to help employees stay current in their fields.

QUALITY CUSTOMER SERVICE

Although the concept of service is not always associated with auditing (since those being audited do not often see themselves as being served), quality customer service is a standard auditors must apply to their audits and to themselves.

Each audit should result in taxpayer education on the reporting requirements applicable to their business activity. If the taxpayer is not able to use the results of the audit to correctly self-report, then the auditor has not met the standard of quality customer service. One method the auditor can use to educate and assist the taxpayer in correctly self-reporting is the exit interview. Another way is through clear, concise communication.

The goal of quality customer service also applies to interactions with other Department employees. Auditors should cooperate with other employees and contribute their expertise toward accomplishing Department goals.

AUDIT SAMPLING

Sampling is the application of an audit procedure to less than 100% of the items within an account balance or class of transactions for the purpose of evaluating some characteristic of all the items within the balance or class of transactions.

Much of the information included in this manual was taken from the Statement on Auditing Standards No. 39 on Audit Sampling which provides guidance on the use of sampling in an audit of financial statements. This information has been adapted to fit the circumstances most often encountered in tax auditing.

PURPOSE OF AUDIT SAMPLING

Sampling is done because it is more efficient than testing 100% of the population. In tax audits, if the taxpayer and the Department can agree on a representative sample, it can save both parties time and money. By definition, any procedure that does not examine 100% of the items in question is a sampling procedure.

AUDIT REVIEW

INTRODUCTION

Every audit will go through the review process before the audit findings are finalized. At a minimum, the audit will be reviewed during the audit process by the auditor (self-review), peer review at the district level, the Audit Supervisor to the extent deemed necessary, and ATSS after the completion of the audit. However, audits may also be reviewed by Audit Managers, Bureau Chiefs, the Protest Office, Legal, and executive management. The taxpayer also has an opportunity to review the audit prior to assessment during the "10 day period." The Taxation & Revenue Department informs the audited taxpayers of the results of the audit and allows the taxpayers ten (10) working days in which to contact ATSS to discuss any questions or concerns that they may have regarding the audit.

The review process is an integral part of the audit; the same as pre-audit research, investigation, and write up. While auditors should do a thorough self-review, it is necessary to have other reviewers who are not directly involved in the audit examine the audit workpapers for accuracy and completeness. This objective review will often discover weaknesses in documentation or other problems that the auditor may have overlooked.

The auditor's own self review is a detail review of the audit. Detail review means checking all computations, all documentation, and all narratives to ensure that the audit is complete, correct and ready for submission to ATSS. The supervisor will review and discuss all phases of the audit with the auditor to the extent the supervisor considers necessary to ensure that the auditor followed all Audit Manual guidelines, Technical and Policy Memorandums, Rulings, Regulations, Statutes, and department procedures.

The ATSS review may be a detail review. ATSS will also review whether auditors are following all Audit Manual guidelines, Technical and Policy Memorandums, Rulings, Regulations, Statutes, and department procedures. Moreover, ATSS will review the audit for viability. This means ATSS reviews from the standpoint of a taxpayer filing a protest and will look for lapses in documentation, discrepancies, contradictions, errors or any other problems that might jeopardize the Department's position. Protest will review audits only when a formal protest is filed, or when critical issues are present and will concentrate on those issues as well as the viability of the audit.

Furthermore, audit review is used to determine if the Department is being equitable in its administration. Sometimes audits point out the need for additional regulations, changes in policy, or auditor training.

GENERAL REVIEW OBJECTIVES

1. To assure proper administration of the tax law through audit activity.
2. To instruct auditors in the specific application and documentation of audit procedures.
3. To capture information useful in managing audit activity.

REVIEW RESPONSIBILITIES

The responsibilities pertaining to review for auditors, supervisors, ATSS and the Protest Office are discussed below.

AUDITORS

The longer the auditor reviews his or her own work to find possible weaknesses, the longer it will be before the audit is submitted to the supervisor. The concept of review presumes that there is some point when it becomes less efficient for auditors to review their own work and more efficient for someone else to perform the review. However, if there are numerous mistakes in the audit workpapers, it becomes more difficult for someone other than the auditor to review the work performed. Auditors of all levels participate in the review process by reviewing audits from other auditors. Auditors have a responsibility to discuss any issues or questions with their supervisor and to keep the supervisor advised of audit progress.

Auditors should, at a minimum, complete a self-review of audit work. It is anticipated that audits, except for the most simple, will require some additional level of review before submitting the audit to ATSS.

It is anticipated that every audit phase submitted for supervisor review, except for the most simple, will be returned to the auditor for some correction or change, even if the changes are only minor. It is expected that the auditor will have kept the supervisor sufficiently informed throughout the audit process so no major revisions will need to be made in audit procedures. Auditors must complete a self-review of every audit.

When auditors have questions about self or peer review, they should discuss any issues with their audit supervisor.

SUPERVISORS

Supervisors must discuss procedures and methods for conducting and documenting the audit with the auditor as the audit progresses to monitor each auditor's progress. Auditors are required to keep supervisors informed about their audits but both auditors and supervisors are responsible for audits being done correctly and efficiently.

Supervisors should determine the appropriate balance between auditor self-review and supervisor monitoring based on individual auditor needs. The supervisor should also recognize the training potential of the review process and discuss with the auditor what could have been done differently, based on the supervisor's experience.

The supervisor should treat all employees equitably in the monitoring process so every auditor is given the opportunity to learn from feedback. At the same time, supervisors should expect better audits from auditors who are more experienced or are in a higher classification.

Supervisors should provide sufficient feedback to auditors to help them submit audits of good quality in a timely manner and to give them the opportunity to develop and achieve career objectives.

Feedback from supervisors should be given both in writing and orally. Supervisors should follow up on any changes made by the auditor to ensure that they were made correctly.

AUDIT BUREAU CHIEFS

Bureau Chiefs are responsible for the production of all audits within their section, providing technical support, assessing and addressing training needs, and assisting in the development of consistent audit procedures. Bureau Chiefs provide an overview function for supervisors to ensure all audits meet the division standards for equitable administration of all tax programs and complete and accurate audit documentation.

AUDIT TECHNICAL SUPPORT SERVICES

As with auditors, audit supervisors, and Bureau Chiefs, ATSS also takes responsibility for all audits they accept for processing.

ATSS review may or may not be a detail review. Its main focus is even handed administration of the tax law and that the audit was done correctly according to audit policy

APPENDIX A**FIELD AUDIT FLOW AND DEADLINES****Taxpayer Bill of Rights**

1. **AUDIT START DATE:** All Records Received or Final Request for Records will be issued 61-180 days after start of audit.
 - a. Earliest date in which All Records Received or Final Request for Records letter will be issued (audit start date + 61 days).
 - b. Latest date in which All Records Received letter or Final Request for Records will be issued (audit start date + 180 days).
 - c. Latest date audit must be in ATSS review (date All Records Received letter issued + 120 days).
 - d. Latest date by which audit must be assessed (date All Records Received letter issued + 180 days).
2. Issued Final Records Request letter. Taxpayer has 90 days to comply or request an extension of time in writing.
3. 90 DAY EXPIRATION to provide records or request extension (date Final Records letter Issued + 90 days).
4. Date in which taxpayer requested an extension.
 - a. Latest date audit must be in ATSS review (extension expiration + 30 days).
 - b. Latest date which audit must be assessed (extension expiration + 90 days).
5. Latest date audit must be in ATSS review (date Final Records Request letter issued + 120 days).