

“Audit Mistakes *NOT* to Make”

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“Audit Mistakes NOT to Make”

Introduction:

The Examination Compliance Function of the Internal Revenue Service (IRS) is operating and functioning at a heightened level, with special emphasis towards Schedule C filers. The IRS has hired and attempted to train a significant number additional Revenue Agents (RAs) and Tax Compliance Officers (TCOs). Tax Practitioners have a number of issues to be concerned with when representing taxpayers before the Examination Division of the IRS. Not only is the IRS examining the taxpayer, but the preparer/practitioner is under review as well. Therefore, it is imperative that the taxpayer’s representative attempt to avoid material “mistakes” regarding the representative of a taxpayer.

Some “mistakes” are correctable; however some “are not”. For example, once voluntary information has been disclosed, it cannot be retracted. Also, once a representative has inadvertently extended the statute of limitation, the extension cannot be reversed. These and other typical and non-typical “mistakes” are explored, discussed and examined during this presentation.

“Audit Mistakes *NOT* to Make”

I. The Audit/Examination Process

Audit/Examination Authority:

The Internal Revenue Service (IRS) obtains its authority to “audit” or “examine” a taxpayer (TP) from Internal Revenue Code (IRC) Section **7602**, “*Examination of book and witnesses.*”

Return Selection:

Technically, once a return is filed with the IRS the audit process begins and the IRS invokes certain statutory authorities. Every tax return filed with the government is reviewed and scored by a “TOP- Secret” process that generates information providing the probability that, *if an audit is ensued, additional tax assessments may be generated.* This review and scoring process is best known as the *Discriminant Income Function (DIF)*. Each return processed is then automatically assigned a DIF score. Thus, the higher the score of a screened tax return, the higher the potential, for selection as an audit candidate.

Another component of tax return scoring procedures of the audit process is known as “Total Positive Income” (TPI). Under this process, the IRS computers basically extract and summarize all of the positive income values noted on the tax return. Any losses are treated as zero. This additional or alternative system generally is utilized to reduce reliance upon and/or eliminate the use of Adjusted Gross Income (AGI) as a factor in deciding the potential for additional assessments should a return be audited or examined.

The National Research Program

To measure payment, filing and reporting compliance for different types and various sets of taxpayers the IRS has developed the National Research Program (**NRP**). The NRP is based upon the theory of developing in stages. The initial stages of the program focused upon individual income taxes, while current and future stages are expected to measure other taxes and other types of taxpayers (such as Corporations, Pass-Thrus, etc...). The new program is expected to be far less intrusive and burdensome on taxpayers than previous compliance programs (at times referred to as “studies”). One of these “previous compliance” programs was the “Taxpayer Compliance Measurement Program” (**TCMP**). The TCMP was extremely intrusive. The TCMP audit was a statistical audit used to compile tax data information that would be utilized to program the IRS computers to assign “**DIF**” scores (as described above). One of the major purposes of TCMP audit data was the measurement of the levels of compliance and tax administration deficiencies, which were deemed necessary to achieve the policies and stated missions of the IRS. Because of the significance of TCMP data, the audits were extremely thorough. Usually a “*line-by-line*”, “*dollar-to-dime*” review of every item included on the tax return. However, as mentioned above the IRS expects the implementation and administration, of the NRP program to be “**less intrusive**” than the TCMP audits were, but again temper this expectation with your actual tax case representation experience.

NRP Audit Categories (*Presenter’s comment):

- **No IRS Contact Audits** – Filed tax returns are reviewed based solely on information already available to the IRS.
- **Correspondence Audits (*Less Intrusive)** – Correspondence audits are generally less intrusive than office audits, and are typically conducted via mailed correspondence and limited telephone contact.
- **Office Audits (*Somewhat Intrusive)** – With these type exams the IRS obtains more information regarding the taxpayer, prior to the examination from agency records and other resources, and focuses on “selected areas” of the return.

- **Calibration Audits (*Intrusive)** – These type examinations consist are performed on a select group of returns (criteria for selection unknown). Each line item of the return (remember from above “line-by-line”, “dollar-to-dime”) will be reviewed. However, in contrast to TCMP audits, taxpayers will not be required to provide line-by-line “**substantiation.**”

Also bear in mind that the returns associated under this program are selected on a random basis (the same as the TCMP audits were).

The Scope of the NRP Examination

An examination under the NRP process was created to *consider the entire taxpayer and not just the tax return line items.*

For example, the DIF formula considers not only your income and deductions, it also accounts for the location of your home, the size of your family (exemptions), and even your occupation.

Typically, any audit process is a “probe.” Therefore, the NRP can be considered a more extensive process to detect “unreported income.” The NRP is expected to develop model parameters for future taxpayer examination selections. The NRP Examiner is expected to “consider” or address each item to the extent the examiner is satisfied with the “accuracy” of the item (sounds like discretion to me).

Tax Exam Classifiers

Once a return has been identified by the computer as having audit potential, it is remitted to the District Office (or Campus) and is manually screened by the classification division. After this process, the final selections are made. The “reengineered” process also requires the establishment and utilization of “standard work papers” for examiners. These work papers will be part of the case building process of the examination. The tax-case work papers may include familiar items such as Cash T’s, various transcripts (IMF and BMF), IRP transcripts, and three years of tax return information. Although the “classifier” has identified the main items that the Examiner/Auditor should focus upon, the IRS Examiner has the authority to “expand the scope” of the exam issues, more so for Schedule C audits.

II. The Reengineered IRS Examination Process

New and improved “examination” procedures have been developed and implemented by the IRS. The new examination procedures are comprised of three major components as follows:

- PLANNING;
- INCREASED MANAGERIAL PARTICIPATION; and
- RISK ANALYSIS.

Planning:

The Service expects to provide improved and increased communication. The Revenue Agent or Tax Compliance Officer is expected to discuss such things as a “**mutual commitment date.**” Also, an “Engagement Agreement” is required to be discussed and presented to the taxpayer or his/her representative. However, although an Engagement Agreement may be considered standard for the Office Audit level, it is optional at the Field Examination Level (but is yet required to be discussed).

Managerial:

The Group Manager is expected to be more visible and accessible under the reengineered process and is expected to be involved at a very early stage of the examination. The Managers are also expected to agree as to how the audit will proceed or be conducted. You should expect more Managerial presence at the initial meetings or conferences as well. The Managers will also assist in developing the scope of the examination. However, examiners will continue to be allowed to use their “judgment” (better known as discretion) regarding various issues whether they are complex or not.

Risk Analysis:

The NRP process has developed “guides” to assist the examiners. Additional criteria regarding **fraud** have also been established. Specific dollar amount thresholds and compliance initiatives have also been established. The new risk analysis procedures are used to determine whether to expand or reduce the scope of the examination.

Under the new reengineered process, Office level examination returns are now “pre-audited.” The examination of a particular tax return is pre-assigned and reviewed by the examiner prior to issuance of the “initial contact” letter. Prior to this new procedure, audits/examinations were assigned to the examiner upon the taxpayer or representative walking through the door for the initial appointment. Information Document Requests (**IDRs**) are allowed to be issued at the initial meeting (that’s prior to any points of discussion). The Service has also developed “electronic tools” to assist in the examination process. Standard work papers as well as standard templates have been developed, and these new “standards” are expected to be utilized on a nation-wide basis, not just regionally. The Service implemented these new procedures to generate a higher level of “consistency” throughout the examination levels to improve and validate the entire examination process. However, the practitioner or representative should make observations for deviations from “consistency” procedures due to fraud, unreported income or similar issues.

III. Audit Mistakes Not to Make - General Listing

- ☞ Lack of overall “preparation”
- ☞ Allowing the IRS to “Interview” the taxpayer
- ☞ Allowing premature access to the taxpayer’s bank statements
- ☞ Neglecting to reconcile the taxpayer’s total or gross income
- ☞ Neglecting to fully understand the taxpayer’s business or job functions
- ☞ Providing the taxpayer’s documents in an “unorganized” manner
- ☞ Neglecting to discuss the issue of “privilege” with the taxpayer
- ☞ Discussing potential “privileged information” with the IRS
- ☞ Volunteering information to the IRS (un-requested information)
- ☞ Unduly “delaying” the audit
- ☞ Neglecting to request a “managerial conference”
- ☞ Not conducting the appropriate level of “legal research” of the case issues
- ☞ Neglecting the “signs” when a case has potential “criminal” elements
- ☞ Voluntarily extending the “statute of limitation”

IV. Preparation for the Audit/Examination

The three rules are (according to LG) – Initial Preparation, Interim Preparation and Impregnable Preparation. **You should know more about the taxpayer you are representing than the IRS Agent does.** Yes, the agent probably has access to more resources and possibly more technology than you. However, you have access to something much more valuable than the IRS Agent; **you have direct access to “The Client, the Taxpayer.”** Being prepared involves utilizing every resource to your advantage. Prior to the taxpayer actually being audited by the IRS Agent, you should conduct your own audit of the taxpayer(s). Being prepared also includes knowing **what can be substantiated and what cannot**, as well as knowing before hand **which issues to concede and which issues are non-negotiable.**

Concerning preparedness, the type audit being conducted is irrelevant. Whether the examination is a *Correspondence* audit, *Office* audit or a *Field* Audit, being thoroughly prepared for such an engagement is essential. If you approach the engagement in a professional and responsible manner, you will have reduced the odds of error (and professional incompetence). Your approach of preparedness has the potential of **reducing the scope of the examination, reducing the risk of adverse adjustments to your client** and improving your professional image not only with your client, but with the IRS Examiner as well.

V. Interview of the Taxpayer-The Practitioner's Position

As stated above, you “the representative” should know more about the client than the IRS Tax Examiner. To accomplish this task, the practitioner should conduct a **thorough and probing interview** of the taxpayer with respect to the issues identified per the Examiner’s Information Document Request (IDR), Form 4564. A thorough interview of the taxpayer is required to prevent the IRS Examiner from performing one of the following actions:

- ☐ Bypassing the practitioner, and/or
- ☐ Issuing a “Summons”

Additionally, conducting a thorough interview allows the practitioner to recognize any “exposure” of potentially critical or damaging information, and allows the practitioner to fully develop the “facts and circumstances” of the case issues.

Interview of the Taxpayer-The Examiner's Position

The Examiner will generally attempt to solicit the presence of the taxpayer to conduct an interview of the taxpayer at the initial stage of the audit. However, if the practitioner has fulfilled his duty, with respect to conducting the “thorough & probing” interview of the taxpayer, there should be no need to have the taxpayer present during the administration of the examination unless the practitioner decides the presence of the taxpayer is necessary to bolster the elements of the case. Additionally, IRC §7521(c) prevents the compulsion of appearance of the taxpayer.

VI. Production of the Taxpayer's Bank Records

Financial Status or Economic Reality type audits typically focus on a taxpayer’s lifestyle or standard of living regarding the application of audit procedures. However, pursuant to the *Restructuring & Reform Act of 1998 (RRA 98’)*, the Internal Revenue Service is generally precluded from utilizing “financial status” and/or “economic reality” type techniques to perform an audit or examination, unless the IRS has a reasonable indication that there is a likelihood of unreported income [**IRC §7602(e)**].

Pursuant to IRS Legal Memorandum (ILM) 200311032, the IRS concluded “*the invocation of IRC §7602(e) is premature when examining agents request bank records and personal records at the time the IRS hasn’t made a determination regarding the existence of unreported income.*”

VII. Reconciliation of the Taxpayer’s Income

Taxpayers periodically neglect to provide tax preparers and/or their representatives with a total accounting of their annual income. Although there is usually no “ill” intent to do so, the results of such an oversight can produce significant adverse results. The preparer/representative should:

- ☞ Request all (business & personal) bank statements
- ☞ Request all wage & income documents from the IRS
- ☞ Inquire whether the taxpayer received any non-conventional income

VIII. Explanation of the Taxpayer’s Business/Job Functions

Although the tax practitioner should have conducted a “thorough” interview of the taxpayer, the IRS Agent will usually ask “out-of-the-box” questions and/or extremely detailed/specific questions with respect to the taxpayer’s business procedures and /or if an employee, the taxpayer’s detailed job functions. As discussed earlier (via “Interview of the Taxpayer”) the practitioner should be extremely thorough regarding these issues and be prepared to discuss these matters in detail.

IX. Presentation of the Taxpayer’s Books & Records

Although the IRS has provided specific procedures regarding the “presentation of taxpayer documents” with respect to an audit/examination, some practitioners believe it to be appropriate to provide the taxpayer’s records in an “unorganized” manner to discourage or disorient the IRS Auditor. This procedure can develop into a material mistake and actually “back fire” on the representative. This practice is not only “unprofessional” but also deemed to be “unethical”. (See prior “Publication 2017”).

X. Tax Advisor/Practitioner Privilege & the Taxpayer

Pursuant to RRA 98' (P.L. 105-206), the traditional attorney-client privilege was extended to “federally authorized tax practitioners” (FAT practitioner), specifically Enrolled Agents (EAs) and Certified Public Accountants (CPAs). This act was codified via **IRC §7525**, “Confidentiality Privileges Relating to Taxpayer Communications.” The fundamental purpose of the privilege is to make confidential, except under certain excludible conditions, communications between a client and the client’s attorney (tax advisor). Therefore, if a FAT practitioner provides or receives “tax advice” in confidence, that information is considered privileged and should not be disclosed to any third party without the taxpayer’s consent or appropriate court order enforcing such disclosure. Only the client or taxpayer can waive privilege regarding a tax matter. The privilege is that of the taxpayer’s, not the representative. The assertion of the tax-advisor privilege is limited to non-criminal matters before the Internal Revenue Service, and any non-criminal tax proceedings brought by or against the United States. **[IRC §7525(a)(2)(B).**

Tax preparation does not encompass the sanctity of privilege. This provision applies to **both** attorneys and non-attorneys. Other limitations and exceptions are:

- The privilege does not extend to any written communication between a FAT practitioner and a director, shareholder, officer, employee, agent or representative of a corporation in connection with the promotion of the direct or indirect participation of such corporation in any tax shelter.
- Also, the tax advisor privilege can only be asserted at the administrative tax level (Audit, Appeals, Collections, etc.) and any Federal tax litigation situations. This privilege cannot be asserted in any other administrative or judicial proceeding brought by other Federal regulatory agencies or by State taxing authorities.

The tax advisor should be forewarned that **disclosure** of privileged communications, accidental or otherwise, **waives the privilege**. Although the preceding provisions appear to put an administrative or legal “burden” upon the FAT practitioner, we have a duty (pursuant to Circular 230) to vigorously represent the taxpayer before the IRS.

XI. Tax Advisor/Practitioner Privilege & the IRS

Failing to assert “privilege” in a matter before the IRS could lead to dire consequences. Therefore, failing to assert privilege while being questioned or interviewed during an audit proceeding could be detrimental. However, more importantly neglecting to “protect” privileged information could expose the practitioner to litigation for “derelict of duty” and lead to an appearance before the “Office of Professional Responsibility” (OPR) for disciplinary actions. The practitioner should be mindful that even if partial disclosure is made accidentally during the audit proceeding, the entire communication (*not just the partial disclosure*) may be waived.

XII. Volunteering Taxpayer Information

Pursuant to “Circular 230” a practitioner must, **on a proper & lawful request** by a duly authorized officer or employee of the Internal Revenue Service, “promptly submit records or information” in any matter before the Internal Revenue Service unless the practitioner believes in good faith and on reasonable grounds that the records or information are privileged”. However, neither the Code, nor the law requires the practitioner to provide information “voluntarily” in any matter before the IRS. Practitioners should be mindful that any information provided during the audit, whether compelled to produce or on a voluntary basis, “can & will be used against the taxpayer” in a court of law or adverse administrative proceeding.

XIII. Unduly Delaying the Audit

Also, pursuant to “Circular 230” a practitioner “may not **unreasonably**” delay the prompt disposition of any matter before the Internal Revenue Service. Practitioners should be aware that various situations that develop during the administration of case are considered a “reasonable” delay and are not a violation of Circular 230. However purposely not responding to repeated calls from an IRS representative and consistently missing appointments or not appearing on behalf of a taxpayer are all considered “unduly delay” actions and if reported, may potentially be addressed by OPR.

XIV. Neglecting to Request a “Managerial Conference”

As noted above, the IRS Group Manager is expected to be more visible and accessible during the audit process and they are expected to be involved at a very early stage of the examination. Since the Group Managers are also expected to agree as to how the audit will proceed or be conducted, the practitioner would be “amiss” or incompetent at best to neglect requesting a “managerial conference” when an auditor demonstrates a potential “abuse of discretion” or disregard of the “taxpayer’s rights” during the audit.

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XV. Inadequate Review of Legal Exam Issues

The results of an audit or examination inevitably will be based upon “legal” determinations (the IRC & case law) which will establish the basis for reducing the representative’s approach for submitting a formal appeal. However, for every “legal point” there is always a “legal counter-point”. Legal ‘counter-points’ are established by the representative providing legal & authoritative rebuttals based upon the IRC, IRM, case law and other available tax sources.

XVI. Neglecting to Identify “Criminal Elements”

Generally, an “egg shell” or “complex” audit is one that involves extremely sensitive issues and/or potential criminal elements. An audit may become complex and/or criminal elements may develop at any stage of the examination, whether it is a correspondence, office or field audit. The representative should be cognizant of the issues of any type audit, and be able to determine when referral to a competent tax attorney is necessary. Thus, *the initial interview of the TP as noted above is pertinent and should not be approached lightly*. A standard “TP Interview” worksheet should be utilized to assist in identifying potential “complex audits.” Any expected tax attorney referrals should occur **“prior to”** significant and detailed questions being asked by the representative, during the interview stage if the practitioner believes such action is warranted. When a practitioner is engaged by a tax attorney he/she is usually required to sign a “Kovel” letter or agreement to protect the client’s privileged matters (civil & criminal).

Potential Elements of an Egg Shell or Complex Audit

- ☐ Failing to keep proper books & records
- ☐ TP has no records or poorly keep records
- ☐ TP attempts to falsify, destroy or alter records without a plausible explanation
- ☐ TP refuses to provide or make certain records available
- ☐ The TP's personal living standards & asset acquisition is inconsistent with the TP's reported income
- ☐ Promotion of self-serving statements without documented proof
- ☐ Repeated procrastination with respect to making & keeping appointments

XVII. Voluntarily Extending the “Statute of Limitation”

During a protracted audit proceeding, the Revenue Agent or TCO may request that you or the taxpayer agree to “extend the statute of limitation” (SOL) to allow the IRS sufficient time to conclude the audit. However, practitioners should be mindful that neither the taxpayer nor the practitioner are required to agree to extend the “statute of limitation” regarding the ASER. Some practitioners agree to do so voluntarily on the belief that this action may win them favor with the IRS Agent. This issue is a significant “*mistake*” because the IRS Agent is only interested in protecting the Government’s position and to allow the Government to obtain evidence against your client. The decision is a critical decision and should **always** be presented to and discussed with the taxpayer. Also, the IRS is “required” by law to provide all taxpayers with a copy of **Publication 1035**, “*Extending the Assessment Period*” whenever a taxpayer has been requested to voluntarily extend the SOL. Pub 1035 explains the taxpayer’s “rights” with respect to considering the extension of the SOL and further explains that a taxpayer has a “**right**” to **refuse** to extend the SOL.

XVIII. Other Critical Audit “Mistake” Issues for Discussion

- ☐ Allowing the **presence of the taxpayer** during the audit and/or allowing the IRS access to the taxpayer without cause
- ☐ Neglecting to request the Auditor’s **“work papers”** either during and/or subsequent to the audit
- ☐ Neglecting to accompany the taxpayer pursuant to the issuance of a **“summons”**
- ☐ Allowing the IRS unchallenged access during a **“site-visit”**
- ☐ Neglecting to review and/or consult the official IRS **“Audit Technique Guides”** (ATGs)
- ☐ Allowing the IRS full access to **“electronic records”** (QuickBooks, Peachtree, etc)
- ☐ Neglecting the use of some type of **“Audit Control Log”** or **“Audit Work Program”**

XIX. Rules of Engagement- Audit “Mistakes” Checklist:

The ultimate goal of the IRS Agent/Examiner should be to determine the accuracy of the taxpayer’s tax return filing rather than primarily concentrating on “finding unallowable deductions and/or unreported income”. However, to properly manage an audit engagement, and to prevent potential **“mistakes”**, it is recommended that certain rules of engagement be applied and enforced as much as practically possible.

The following list of rules is suggestive and is not to be all inclusive as follows:

- ☐ Thoroughly interview the taxpayer (ask probing questions but be cautious)
- ☐ Secure the TP’s books, records, tax return and other relevant documents
- ☐ Review the return and make a list of any questionable items
- ☐ Organize the documents and records in a professional & presentable manner
(Refer to IRS Publication 2017 via the Power Point presentation)
- ☐ Review all documents and substantiation in preparation of the audit and create a potential list of issues that should and/or should not be conceded
- ☐ Perform tax law research regarding any “questionable” issue and document your conclusion
- ☐ Contact the Examiner and schedule the audit at a time and place most convenient for you and/or the taxpayer
- ☐ Discuss any expectations & procedures with the Examiner during the audit
- ☐ Discuss the expected “timetable” of the audit
- ☐ Inform the examiner that all “official” request for documents should be achieved via a formal IDR (See Form 4564 via the Power Point presentation)
- ☐ Keep the Examiner “focused” on all relevant items pertaining to the tax year under investigation
- ☐ Control the exam by isolating the Examiner from the TP and/or other employees and limit access to use of the copier (assign a clerk to make copies)
- ☐ Do not “volunteer” information and/or additional records unless this information is exculpatory with respect to exam issues
- ☐ Subsequent to the Examination, consider submitting formal request for the Examiner’s work papers

APPENDIX-OSEA

IRS AUDIT ENGAGEMENT WORK PROGRAM

Type Audit/Examination: _____

Client Name: _____

Prepared By: _____

Form: _____

Date Completed: _____

Tax Year: _____

Reviewed By: _____

I. Pre-Engagement Administration

- A. Prior to the initiation of the engagement consider the following issues:
1. Does this engagement involve possible procedural aspects of practicing before the IRS for which this firm has limited experience and/or expertise? If so, develop steps to compensate for any deficiencies?
 2. If this is a new client, will accepting this engagement conflict with any of the firm's policies regarding acceptance of potential clients?

II. Audit Engagement Initiation & Planning

- A. Has the exact nature of the IRS request been identified by the firm and understood by the client?
- B. Review applicable tax returns and workpapers to:
 - 1. Identify exposure items (return errors, etc.).
 - 2. Quantify the potential tax impact.
 - 3. Calculate and document any statute of limitations.
- C. Establish a meeting with the client to:
 - 1. Define the firm's and the client's responsibilities and the scope of representation to be provided.
 - 2. Discuss exposure items and related substantiation to ensure that the firm understands the relevant facts and underlying issues. Discuss methods resolving all exposure items.
 - 3. Determine strategy for conducting the audit by deciding: (1) the **location of the examination**; (2) the extent of the **client's presence at examination**; and (3) the client's willingness to negotiate certain issues.

[illegible]

D. Legal Authorization & Case Commitment Consideration:

1. Execute a Power of Attorney regarding the client.
2. Prepare and authenticate the engagement letter:
 - **Confirm** client understanding of responsibilities and the scope of the engagement.
 - Summarize actions to be taken.
 - Estimate cost of the engagement, **confirm fees** and secure retainer.

E. Assign personnel appropriate for the engagement function:

1. Assemble and organize requested information.
2. Establish a file for information requested by the IRS.
3. Retain a copy of all documents given to the IRS.
4. Establish a system to identify and record which documents have been provided to the IRS (and when) to maintain proof of compliance and reduce redundancy.

F. Research and document potential exposure items.

III. Engagement (Functional Considerations)

- A. Schedule an initial conference with the examining agent and identify the scope of the examination.
- B. Consider a strategy to provide information to the agent utilizing the following procedures:
 1. Designate a contact person to provide any and all properly requested information.
 2. Require that all information/document requests be submitted via **IRS Form 4564 (IDR)**.
 3. Index and retain a copy of all information provided to the agent.
- C. Analyze any relevant issues presented by the agent:
 1. Examine each proposed adjustment, considering each for technical and factual accuracy.
 2. Document and quantify the impact of each proposed adjustment. Rank the adjustments in order of potential successful resolution.
 3. Consider pertinent IRC section references such as:
 - a) **IRC §446**
 - b) **IRC §6001**
 - c) **IRC §7525**
 - d) **any other related sections**
 4. Review the **IRM-Examination Handbook Part 4.10**; determine if Auditors' procedures/ADJs are appropriate.
 5. Analyze and document your basis of requesting and/or not requesting the **auditor's work papers**.

[illegible]

- D. Inform the client of any proposed adjustments and determine a strategy utilizing the ranking of the adjustments. Discuss the client's willingness to pursue marginal issues with a low probability of success and document conclusions.
- E. Segregate adjustments into negotiable and non-negotiable categories. Determine appropriate resolutions.

IV. Engagement Analysis

- A. Perform detailed review the revenue agent's report (RAR) to verify accuracy of content and computations.
- B. Arrange to meet with client to explain RAR results.
 - 1. If the client agrees with the changes, instruct the client to sign the RAR, make arrangement for payment (if applicable), and mail it to the appropriate address.
 - 2. If the client wishes to pursue matters beyond this engagement, document and explain the potential available options and courses of actions.
- C. Determine and quantify the effects of the RAR on carryforward items, document the findings, note recommendations, prepare & distribute supplemental report.
- D. Ensure copies of the RAR are properly routed to the appropriate client/office files.

V. Post-Engagement Case Management

- A. Ascertain and document client feedback and review firm and individual staff performance determining whether:
 - 1. Required engagement checklists, forms and other required documentation and procedures have been properly executed.
 - 2. Administrative and personnel policies have been complied with and are adequately substantiated.

Done-Yes	N/A-No	Disposition/Comments:
_____	_____	
_____	_____	
_____	_____	
_____	_____	
_____	_____	
_____	_____	
_____	_____	
_____	_____	
_____	_____	
_____	_____	

Program Key:

Every **"No"** or **"N/A"** answer requires a detailed explanation or inclusion of a brief memorandum.
 Every **"Done"** or **"Yes"** answer requires a workpaper reference.