

PP-2008-04
3/4/08

STATEMENT OF AUDIT PROCEDURE

ALL UNITS
Procedures for Canceling an Audit

I. **BACKGROUND**

Frequently, the Audit Division examines more than one tax year as part of a single audit. The Division may determine during its examination that part or all of the audit period is not worthy of audit. This Statement of Audit Procedures sets forth a uniform procedure for canceling all or part of an audit when that determination is made at different stages of the examination process. In all of the cases described below, an audit case in PASS will have been assigned to the auditor.

II. **PROCEDURE**

A. **No-Contact Cancellation Procedure:**

When the auditor has concluded that the entire audit period is not worthy of audit before an appointment letter (Form A-20 or A-11a) has been sent to the taxpayer, Form A18-A, Recommendation for Cancellation of Case, should be used. The Form should be completed and placed in the case folder by the auditor and then submitted for approval and signature by the Group Chief and the Unit Manager. When all signatures have been obtained, the PASS case file will be sent to the Quality Management Support Group (QMSG) along with a completed A16 Form. The Unit Manager is responsible for the final review under this No-Contact Cancellation Procedure.

B. **Preliminary-Review Cancellation Procedure:**

When auditor has concluded that the entire audit period is not worthy of audit after an appointment letter has been sent to the taxpayer but before substantial time has been spent on the case, a cancellation letter (Form A-189) will be sent by the Unit Head to the taxpayer indicating the Division's decision not to audit at this time and reserving our rights to audit the same tax period at a future date within the statutory period.

Substantial time spent means fewer than 21 hours of auditor time (unless the auditor had prior written approval of the Director) during the 180 days following the assignment of the case to the auditor.

Form A18-A, Recommendation for Cancellation of Case, will also be completed, approved and sent to QMSG, as describe in procedure A above. The Unit Manager is responsible for the final review under this Preliminary-Review Cancellation Procedure unless the Director has the taken on that responsibility by permitting cancellation after more than 21 hours of auditor time.

C. No-Change Cancellation Procedure:

When the auditor concludes that the audit period is not worthy of audit after an appointment letter has been sent to the taxpayer and the time limitations above have been exceeded, the case will be prepared within the unit for closing in the usual manner except that an original, undated no-change letter (Form A-130) for the entire audit period will be signed by the Unit Manger and place in the case folder. Upon completion of the review process by QMSG the letter will be dated and mailed to the taxpayer