

RPTT-2008-04

04/13/08

STATEMENT OF AUDIT PROCEDURE

STATUTE CONTROL RPTT DESK AUDIT

I. SCOPE

While Real Property Transfer Tax (RPTT) returns are generally completed within the three (3) year period allowed by law for review of original filings, there are instances where an auditor may require additional time. With taxpayer consent, the law allows this three-year period to be extended. This Statement of Audit Procedure provides guidelines and procedures for controlling the statute of limitations (“SOL” or “the statute”) so that all audits are completed before the statute expires.

II. RESPONSIBILITIES FOR STATUTE PROTECTION

For all personnel engaged in audits, protecting the statute of limitations is an extremely important responsibility. Directors, Assistant Directors, Managers and Supervisors, have equal responsibility to protect the statute and to ensure that all systemic controls are instituted and maintained. Primary responsibility for protecting the Statute lies with the auditor and their immediate supervisor.

III. PROCEDURE: STATUTE CONTROL SYSTEM

A. **File System Overview**

An RPTT auditor shall maintain two chronological filing systems. The filing systems should be computer based whenever possible.

- **File system A** should be maintained for cases in inventory where the statute will expire in 15 months or more.
- A second file system (**File B**) should be maintained for “at risk cases” with less than fifteen (15) months before the statute expires. File B should also contain cases where a taxpayer has been asked for a statute extension.

B. Auditor's Role

1. File A

- a) The auditor shall review File A on a monthly basis to determine that no case exists in the file with less than fifteen months left before the statute expires.
- b) The auditor shall bring any case with less than fifteen months left before the statute expires to the attention of the Supervisor. The auditor shall, with their supervisor, develop a strategic plan for expeditiously closing that case and then move that case to File B.

2. File B

- a) For cases with less than fifteen months before the statute expires, the auditor shall summarize the approved strategic plan for each case on the contact sheets and present it to the Supervisor for his or her signature.
- b) The auditor shall then file each case in a separate, special chronological filing system for at risk cases, File B and adhere to the plan for closing the case.

3. Report on File B

The auditor shall review the at-risk case file, File B, on a monthly basis, (e.g., every first Monday of the month) and prepare a report of all the cases in the file. The report should include the taxpayer's name, the case number, the tax period under audit, and the statute expiration date. The monthly report shall be given to the Supervisor.

4. Closing File B Audit Cases

The auditor is expected to complete cases identified at the fifteen-month marker within two months. This means that the auditor must submit the case to the supervisor for review by the beginning of the thirteenth month.

5. Special Cases

Cases pending within the fifteenth-month period that are not expected to close with at least thirteen months left on the SOL shall, with approval of the Group Chief, be deemed special cases. The auditor, with the supervisor's and the manager's approval, shall request an extension of each SOL from the taxpayer. The contact sheet will summarize the basis for requesting an extension and shall be submitted to the supervisor and the manager for their signatures.

For a special case, RPTT auditors shall request that the taxpayer extend the statute of limitations so the auditor can complete the audit and transfer the case to the Quality Management Support Group at least twelve (12) months before the statute expires.

Cases with signed waivers extending the statute of limitations shall continue to be designated special cases, and shall be maintained in File B.

C. Supervisor's Role

1. The supervisor is responsible for reviewing the auditor's filing system on a quarterly basis. The supervisor will check for accuracy and compliance with all the procedures.
2. For cases with less than fifteen months before the expiration of the statute, the supervisor will approve the strategic plan and sign the contact sheet, summarizing the strategic plan in writing.
3. The supervisor shall review the monthly report that the auditor submits to make sure that cases are being closed timely. On a monthly basis, the supervisor will certify the accuracy of the auditor's File B reports to the Manager for his/her review.
4. If a supervisor determines that a case requires a statute of limitations extension, the supervisor will obtain approval from the manager. A report listing all audit cases where a statute of limitations extension has been requested or received shall be prepared and submitted to the manager.

D. Manager's Role

1. The manager shall review the auditor's report on File B and the report on all cases for which an extension was requested or received from the taxpayer.
2. The manager shall sign the contact sheet of the audit case after approving the request for statute extension.
3. The manager shall certify to the Director and the Assistant Commissioner the accuracy of the reports filed by the RPTT audit staff.
4. All waiver documents extending the SOL must be executed by the Manager or the Director of the RPTT Unit.