



DEPARTMENT OF FINANCE AUDIT DIVISION

AP/AU-11 5/24/89

STATEMENT OF AUDIT PROCEDURE

ALL UNITS

Procedures for Cancelling an Audit

I. BACKGROUND

In many instances the Audit Division examines more than one tax year as part of a single audit period. It may be determined at various stages of the examination that the audit period, in whole or in part, is not worthy of audit. This Statement of Audit Procedure sets forth a uniform procedure for cancelling all or part of an audit at different stages of the examination process, as described below. In all cases described herein an audit number will have been assigned.

II. PROCEDURE

A. No-Contact Cancellation Procedure:

When an appointment letter (Form A-20 or A-11a) has not been sent to the taxpayer, and the auditor has concluded that the entire audit period is not worthy of audit, Form A18-A, Recommendation for Cancellation of Case, will be completed and placed in the case folder by the auditor and submitted for approval and signature by the Group Chief and the Unit Head. When all signatures have been obtained, a copy of the form will be sent to the Audit Control Unit by the appropriate support staff. The Unit Head is responsible for the final review under this No-Contact Cancellation Procedure.

B. Preliminary-Review Cancellation Procedure:

When an appointment letter has been sent to the taxpayer and (1) no more than 21 hours of auditor time have been spent on the case and no more than 180 days have elapsed from the date of assignment of the audit to the auditor or (2) with the prior written approval of the Branch Chief, more than 21 hours of auditor time have been spent on the case in a period not exceeding

180 days from the date of assignment of the audit to the auditor, and the auditor has concluded that the entire audit period is not worthy of audit, 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 right to audit the same tax period at a future date within the statutory period. Form A18-A, Recommendation for Cancellation of Case, will also be completed and approved and sent to the Audit Control Unit, as described in procedure A above. The Unit Head is responsible, in general, for the final review under this Preliminary-Review Cancellation Procedure; the Branch Chief has the responsibility for the final review in the special instance of time extension, described in clause (2) above.

If within the time limits described above the auditor concludes that a determination of a deficiency or an overpayment is appropriate for part of the audit period and that the remainder of the audit period is not worthy of audit, the "Partial No-Change" procedure in paragraph C (2) below must be followed.

C. No-Change Cancellation Procedure:

When an appointment letter has been sent to the taxpayer and the time limitations provided in procedure B above have been exceeded, and the auditor has concluded that all or part of the audit period is not worthy of audit, one of the following No-Change Cancellation Procedures will be used:

- (1) All Years No-Change. When no change is proposed for the entire audit period, 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 Head and placed in the case folder. Upon completion of the review process by the Quality Control Unit, the Audit Control Unit will date and mail the no-change letter to the taxpayer.
- (2) Partial No-Change. When no change is proposed for one or more tax years but less than all the years included in the audit period, and a determination of a deficiency or an overpayment is issued for the remainder of the audit period, the case will be prepared within the unit for closing in the usual manner. The case summary (Form A-16) will indicate "no change" for each appropriate tax year. Upon completion of the review process by the Quality Control Unit, the Audit Control Unit will prepare, date, and mail the usual Notice of Determination and will indicate thereon, "no change" for each appropriate tax year.



DEPARTMENT OF FINANCE
Audit Division
345 ADAMS STREET, BROOKLYN, N.Y. 11201

Tax Unit, Tel. No. (718)403-_____

[
[

]]
]]

Date:

Re:

Audit No.:

Tax Period(s):

Auditor:

EIS/SSN/Reg. No.:

Tax

The recent examination of your tax liability for the above stated tax period(s) indicates that no adjustment(s) necessary.

Under the provisions of the New York City tax law, all changes made by the Internal Revenue Service or the New York State Department of Taxation and Finance in audits of the tax returns covering these tax period(s) must be reported to this office within 90 days from the date of final determination.