

AUDIT PREP CHECKLIST

A sales tax audit can be a complex and detailed process. To ensure that you are well-prepared and organized for the audit, you can use the following checklist. Keep in mind that specific requirements may vary depending on your jurisdiction and industry. Always consult with a tax professional to ensure accuracy.

1. Gather Documentation:

- Sales Records: Compile all sales records, including invoices, receipts, contracts, and any other relevant documents.
- Purchase Records: Gather records of purchases, expenses, and any applicable exemptions.
- Exemption Certificates: Ensure you have collected and retained valid exemption certificates for exempt sales.
- Resale Certificates: Collect resale certificates for sales made to other businesses for resale purposes.
- Sales Tax Returns: Gather copies of filed sales tax returns for the audit period.
- General Ledger: Prepare a general ledger detailing all sales and related transactions.
- Inventory Records: Include records of inventory purchases and sales, if applicable.
- Bank Statements: Provide bank statements to support financial transactions.

2. Organize Data:

- Categorization: Categorize sales into relevant tax categories (taxable, exempt, out-of-state sales, etc.).
- Time Period: Ensure you have all necessary records for the audit period under review.
- Digital Copies: Create digital backups of all physical documents to ensure easy access and sharing.

3. Calculate Taxes:

- Tax Calculations: Double-check that your sales tax calculations are accurate and align with your jurisdiction's regulations.
- Exemptions: Verify that you've correctly applied exemptions and discounts where applicable.

4. Review Procedures:

- Internal Processes: Review your internal procedures for accuracy in recording and reporting sales tax.
- Point of Sale Systems: Check that your point-of-sale systems accurately calculate and record sales tax.

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5. Identify Errors:

- Discrepancies: Identify any discrepancies between reported sales, collected tax, and actual sales.
- Errors and Omissions: Look for any errors or omissions in your records that could lead to tax underpayment or overpayment.

6. Cross-Check Data:

- Vendor Invoices: Cross-check vendor invoices against your purchase records.
- Exemption Certificates: Ensure that exemption certificates are valid and up-to-date.

7. Review Nexus:

- Nexus Analysis: Determine if you have established sales tax nexus in any new states or jurisdictions since your last audit.

8. Communication:

- Audit Notice: Respond promptly to any audit notices and communicate with tax authorities as needed.
- Documentation: Be prepared to provide requested documentation to the auditors in a timely manner.

9. Consult a Professional:

- Tax Professional: Consider consulting a tax professional with expertise in sales tax audits to guide you through the process.

10. Preparation:

- Preparation Session: Hold a preparation session with your team to ensure everyone understands their roles during the audit.

11. Audit Day:

- Physical Setup: Arrange a suitable space for the audit and provide access to required documents.
- Audit Guide: Assign a point of contact to guide the auditors and answer questions during the process.

12. Post-Audit:

- Adjustments: Make any necessary adjustments based on the audit findings.
- Documentation: Retain all audit documentation and related correspondence for future reference.

Remember, a sales tax audit can be intricate and can have financial implications for your business. It's advisable to consult with a tax professional who is well-versed in your jurisdiction's regulations to ensure compliance and accuracy throughout the process.