



# What to Expect During a TTB Audit or Investigation

Presented by  
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# What to Expect During a TTB Audit

Sheila R. Stears  
District Director (Audit)  
Cincinnati-East Field Office



## Tax Audit Division Mission

- Verify proper payment of excise taxes
- Ensure compliance with laws and regulations
- Partner with industry members to promote voluntary compliance

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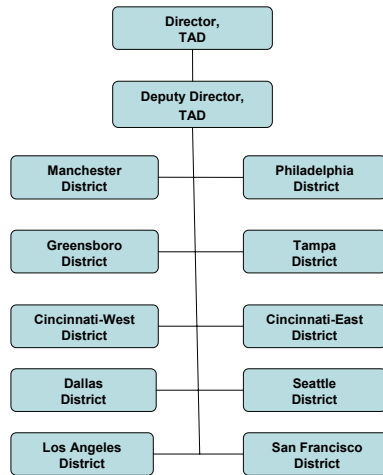
## Professional Audit Standards

- TTB Audits are conducted in accordance with Generally Accepted Government Auditing Standards.

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## Tax Audit Division



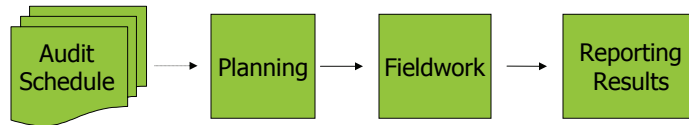
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## TTB Audit Process

- Planning the Audit
- Audit Fieldwork
- Reporting Audit Results

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- Review and analyze information filed with the National Revenue Center
- Review prior audits/investigations
- Develop the audit program
- Notify the industry member—Engagement Letter
- Request information from industry member



## Information Request List

- Supporting documentation for excise tax returns and operations reports
- System extraction of removals
- Organizational chart and premises map
- Powers of Attorney
- Bonds/Surety files and premium payments

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## Information Request List (Cont'd)

- Chart of accounts, general ledger, and financial statements
- Internal and external audit reports
- Inventory instructions and procedures
- Documented internal control procedures
- IT security and disaster recovery plan
- Approved Notice of Registration
- Plant security procedures

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- Opening conference and plant tour
- Interview subject matter experts and accounting staff
- Evaluate internal controls
- Execute audit program--audit tests
- Identify audit issues

- Tax adjustments
- Compliance violations
- Internal control weaknesses



## Reporting Audit Results

- Audit recommendations/instructions and corrective actions
- Closing meeting
- Management Letter to industry member
- Written response from industry member
- Internal audit report

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## TTB Audits

- Well-planned
- Team approach—partnership between TTB and industry member
- No surprises
- Value-added service

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# What to Expect During a TTB Investigation

Jerry Cajka,  
District Director (TID), Midwest District  
Field Office







## Trade Investigations Division (Cont'd)

- Responsible for:
  - Ensuring that only qualified applicants are granted permits to engage in the production and distribution of alcohol and tobacco products
  - Preventing misleading labeling and advertising

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## Trade Investigations Division (Cont'd)

- Responsible for:
  - Responding to credible information suggesting a health-related contamination of an alcohol product
  - Promoting voluntary compliance with trade practice regulations

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## Types of TID Investigations

- Application Investigations
- Product Integrity Investigations
- Trade Practice Investigations
- Consumer Complaint Investigations
- Revenue Investigations



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## Application Investigations

- Determine accuracy of the application
- Determine if there are any prohibited persons associated with the business
- Verify the source of invested funds
- Verify bond payment
- Explain recordkeeping and tax requirements

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## Product Integrity Investigations

- Verify labels on products to approved Certificates of Label Approvals (COLAs)
- Determine if advertising material is misleading
- Verify that formulations have been filed and approved for specialty alcohol beverages

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## Product Integrity Investigations (Cont'd)

- Determine if the Government Warning Statement is present on all alcohol containers
- Obtain samples for testing by the TTB Laboratory
  - Proof, fill, and products produced under a formulation will be verified

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## Trade Practice Investigations

- **Exclusive Outlet** – requiring a retailer to purchase from a wholesaler/producer
- **Tied-House** – inducing a retailer to purchase through acquiring interest in the retailer, giving loans or items of value, extending credit for an excessive period of time, etc...

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## Trade Practice Investigations (Cont'd)

- **Commercial Bribery** – inducing a trade buyer by bribery or by compensating an employee of the trade buyer
- **Consignment Sales** – offering product for sale on consignment with the privilege of return

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## Consumer Complaint Investigations

- Conduct interviews with individuals reporting a health complaint
- Obtain the product in question (if still available) for testing by the TTB Lab
- Obtain additional samples of the product in question from the store where the product was purchased

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## Consumer Complaint Investigations (Cont'd)

- Conduct a follow-up investigation with the wholesaler/importer, if warranted

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## Revenue Investigations

- Usually limited to instances where:
  - Taxes are not being timely paid
  - Monthly reports are not being filed
  - Bond has expired (breweries)
  - Verify Destruction of Alcohol

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## Contact Information

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