

**Large and Mid-Size Business Division  
Joint Audit Planning Process  
Planning & Monitoring Tool**

Taxpayer:	Exam Year(s):
Tax Manager:	
Team Manager:	POA:
<b>This document is intended to assist the IRS and the taxpayer to efficiently plan and oversee their examination. This tool should be used to both plan and monitor the audit process; it is applicable to both Coordinated Industry (CIC) and Industry (IC) Cases.</b>	

<b>Preliminary Meetings and Discussions</b>	<b>Comments</b>
1. The audit team should gather publicly available information (e.g., annual reports, SEC filings, taxpayer's web site, etc.) and current transcripts to reduce taxpayer burden.	
2. After the audit team's initial review of the tax returns and related information, multiple preliminary meetings and other informal discussions (based upon taxpayer size, return complexity, and proposed staffing levels) should be held with the taxpayer regarding: <ul style="list-style-type: none"> <li>a. prior cycle results, to determine if areas of review can be limited or eliminated</li> <li>b. timeframes for pre-audit and initial risk analyses</li> <li>c. the taxpayer's anticipated filing of claims</li> <li>d. potential industry/coordinated issues</li> <li>e. new audit initiatives and general administrative procedures (i.e. LIFE, IDR procedures, issue resolution strategies).</li> <li>f. whether the IRS or the taxpayer will prepare the schedule of rollover adjustments that results from the prior cycle.</li> <li>g. the audit team having access to the taxpayers e-mail system to facilitate the communication of IDRs, IDR responses, records, 5701s, etc.</li> </ul>	
3. The taxpayer and the audit team should advise each other of peak times, vacation plans, training, and other significant factors that may result in delays or increase burden.	
4. The taxpayer should provide a meaningful orientation to the IRS audit team, including a general overview of business activities (particularly if there is a new team), financials, return results and known significant changes from the prior cycle.	
5. The taxpayer should provide the audit team with a list of significant transactions for the cycle and any other information that is new and different from the previous cycle (acquisitions, dispositions, tax shelters, accounting method changes - Forms 3115).	
6. In order to reduce the number of IDRs issued, the taxpayer should provide routine start-of-audit information (significant M-1s, access to general ledger, tax workpapers, etc.).	
7. The taxpayer should provide financial information (such as the general ledger) in electronic format to allow the audit team to review information directly, reducing the number of IDRs issued.	
8. The taxpayer should deliver a list of claims and requested audit adjustments (with all supporting documentation made readily available) to allow these items to be included in the audit plan.	
9. Based upon the initial risk analyses and review of preliminary documents (i.e., annual statements, tax returns, historical files, etc.), the audit team should advise the taxpayer of potential examination areas/issues, and/or business units it plans to review.	

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<b>Involvement of IRS Counsel, Specialists, Technical Advisors</b>	<b>Comments</b>
1. The availability of appropriate IRS and taxpayer personnel should be discussed.	
2. The IRS will notify the taxpayer if significant involvement by technical advisors, Office of Associate Chief Counsel and/or specialists is anticipated.	
3. Arrangements should be made for specialists to meet with relevant taxpayer personnel to discuss areas to be reviewed prior to issuing IDRs.	
4. When their assistance is needed, coordination with the Office of Associate Chief Counsel should be made as early as possible. Contact can be informal via telephone or e-mail, or formal, that is, through Technical Advice Memorandum (TAM), Technical Expedited Advice Memorandum (TEAM), or Reviewed Advice Memorandum (RAM).	
5. Specialists, specialist managers and when appropriate, Counsel, will be invited to attend key issue meetings between the taxpayer and the IRS.	
6. Attempts should be made to reach agreement on the facts, prior to the extensive involvement of a technical advisor.	
7. The Computer Audit Specialist (CAS) should have advance access to the taxpayer's electronic data. This is usually accomplished at the end of the current cycle examination, three to six months prior to the start of the next cycle.	
<b>Scope of Audit</b>	<b>Comments</b>
1. The audit team should consider and discuss the applicability or inapplicability of Limited Issue Focused Examination (LIFE).	
2. The audit team will share a copy of the draft audit plan with the taxpayer and allow the taxpayer an opportunity to provide feedback prior to finalizing the plan.	
3. New issues identified by the IRS during the audit process that are not in the audit plan should be discussed with the taxpayer prior to the commencement of extensive audit work.	
4. The need for support audits and third party contacts should be considered early in the examination.	
5. Materiality agreements should be considered when determining the scope of the examination (whether or not LIFE applies). Since each taxpayer and each year is unique, materiality thresholds should be set on a case-by-case, year-by-year basis.	
6. The audit team will share subsequent risk analysis results (i.e., 50% or 75% risk analysis) with the taxpayer, indicating the scope, depth, and status of the audit with a view to reducing the number of issues (but with the understanding that the determination of which audit items to pursue rests with the IRS).	
7. The audit team should consider the use of statistical sampling or alternative testing methods (e.g. mutually agreed upon judgment sampling) if records are voluminous.	
8. The taxpayer should discuss or provide preliminary information on issues with the intent to narrow the scope of the audit and focus on the most significant issues.	
9. The taxpayer should be informed that if issues are dropped or narrowed, additional issues will not routinely be substituted or added.	
10. The taxpayer will be advised that the examination may be expanded if tax shelters, listed transactions or similar transactions are discovered during the course of the examination.	
11. The audit team and taxpayer should jointly develop a plan to attain and maintain currency.	

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<b>Audit Timeline/ Monitoring Progress</b>	<b>Comments</b>
1. The taxpayer and audit team should jointly prepare an audit timeline with target milestone dates (i.e. exam plan completion date, 50% risk analysis review, last date for IDRs to be issued, last date for claims to be filed, last date for Forms 5701 to be issued, RAR issuance target date).	
2. The taxpayer and the audit team should jointly plan the matching of audit issues to available taxpayer and examination team resources to avoid delays during the audit.	
3. Microsoft Project or similar tool(s) should be used to establish and track timeline milestones and targets.	
4. The IRS and taxpayer should sign an agreement and/or the audit plan setting joint commitments (i.e. audit timeframes, materiality, IDRs, 5701s, affirmative issues, etc.).	
5. An understanding should be reached that impasses and significant concerns that cannot be resolved at the IRS team manager/taxpayer audit manager level will be immediately elevated to the next level, IRS territory manager/senior tax officer or equivalent.	
6. An understanding should be reached that the team manager and the tax manager will jointly monitor the examination and determine who will attend the regular audit progress meetings, including meetings to address the following: <ul style="list-style-type: none"> <li>▪ ongoing risk analysis</li> <li>▪ status of issues</li> <li>▪ status of IDRs</li> <li>▪ obstacles/anticipated delays and possible solutions, and</li> <li>▪ anticipated changes to the audit timeline.</li> </ul>	
7. An understanding should be reached to record all agreements and actions items (noting the responsible parties) to be completed at all IRS/taxpayer meetings to avoid delays and misunderstandings.	
8. Feedback from audit participants should be collected at prescribed intervals, such as: the end of the planning phase, the 50% mark, and the end of the examination, to determine the quality as well as the quantity of progress and to suggest ways to make the on-going and following examination better.	
<b>Information Document Requests (IDRs)</b>	<b>Comments</b>
1. An understanding should be reached that all IDRs and responses will go through the IRS team coordinator or primary revenue agent.	
2. An understanding should be reached that all IDRs and responses will go through the designated taxpayer representative.	
3. Discussions should be held prior to IDR issuance, unless agreed otherwise. Consider: <ul style="list-style-type: none"> <li>▪ The taxpayer should be informed of the intent of an IDR.</li> <li>▪ The purpose of the IDR should be stated on the IDR (i.e., identify the issue).</li> </ul>	
4. Prior to issuance of an IDR the Service and the taxpayer should meet to review the IDR for completeness. All IDRs should be entity specific unless agreed otherwise.	
5. The taxpayer should be informed of any coordinated and/or industry issues under audit.	
6. The audit team should reach an agreement with the taxpayer regarding a standard response time for IDRs, and an understanding that the taxpayer will advise the audit team as early as possible if additional time is needed.	
7. The audit team should advise the taxpayer within an agreed timeframe, after receiving an IDR response, whether it considers the response complete and if additional information or action is required.	

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8. IDRs should be reviewed by the team coordinator or primary agent to insure that they are resolution-focused. (Do the questions asked “add value” to the identification or development of an issue?)	
<b>Issue Resolution/Notices of Proposed Adjustments – Form 5701</b>	<b>Comments</b>
1. All issues should be discussed with the taxpayer prior to issuance of Form 5701. Consider: <ul style="list-style-type: none"> <li>▪ The need to reach agreement, or to agree to disagree, on the facts</li> <li>▪ The discussion of applicable area law</li> <li>▪ The identification of specific areas of contention or disagreement</li> </ul>	
2. Timeframes should be established with regards to the issuance and response to Form 5701.	
3. An understanding should be reached with the taxpayer that Notices of Proposed Adjustment will be issued throughout the examination instead of at the end of the examination, to facilitate early issue resolution.	
4. An understanding should be reached that when issues are agreed, the audit team will utilize abbreviated proposed adjustment write-ups (5701s).	
5. An understanding should be reached that the taxpayer and the audit team will engage in an earnest effort to resolve all issues.	
6. An understanding should be reached with the taxpayer that the audit team, within an agreed upon timeframe, will advise the taxpayer when an issue is closed.	
7. An understanding should be reached regarding the audit team’s intentions to inform the taxpayer as early as practical that it is considering penalties, and to afford the taxpayer the opportunity to address them.	
<b>Additional Comments</b>	

