

# Chapter 5

## Large Case Audit Techniques

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*INTERNAL REVENUE SERVICE  
TAX EXEMPT AND GOVERNMENT ENTITIES*

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### Table of Contents

<b>TABLE OF CONTENTS</b> -----	<b>1</b>
<b>OVERVIEW</b> -----	<b>2</b>
INTRODUCTION -----	2
OBJECTIVES -----	3
<b>INTERNAL REVENUE MANUAL (IRM)</b> -----	<b>3</b>
LARGE CASE IRM -----	3
<b>EPTA DESK GUIDE</b> -----	<b>4</b>
EPTA DESK GUIDE -----	4
<b>LARGE CASE AUDIT PROCEDURE TEMPLATES</b> -----	<b>4</b>
TEMPLATES -----	5
<b>SUMMARY</b> -----	<b>6</b>
SUMMARY -----	6
<b>EXHIBIT 1-EPTA DESK GUIDE TABLE OF CONTENTS</b> -----	<b>7</b>
<b>EXHIBIT 2, EPTA DESK GUIDE CD-CONTENTS</b> -----	<b>10</b>

## Overview

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### Introduction

When discussing large case audit techniques, one usually thinks of examination or audit procedures. However, large case audit techniques include both administrative and audit procedures. An example of an administrative procedure would be a workpaper format, while a Form 4764B contains examples of audit procedures.

Large case audit techniques can be found in several sources, including the Internal Revenue Manual, the Employee Plans Team Audit (EPTA) Desk Guide, and large case audit procedure templates. The EPTA Desk Guide is a comprehensive guide that was prepared as part of the EPTA pilot program and is being shared with you for reference purposes.

Because the resource material is so inclusive, specific individual topics will not be repeated here with the exception of the large case audit procedure templates. The large case audit procedure templates have been included as exhibits because the procedures can be used on all cases involving large taxpayers, even if Form 4764B is not required.

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## Overview, Continued

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**Objectives**

At the end of this chapter, you will be able to:

- Research large case audit techniques in the Internal Revenue Manual (IRM);
  - Research large case audit techniques in the Employee Plans Desk Guide (EPTA);
  - Utilize large case audit techniques using sample Form 4764B templates.
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## Internal Revenue Manual (IRM)

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**Large Case IRM**

The applicable large case IRM sections have been included on the CPE2003 CD, not only for convenience, but because they include directions for large case audit techniques consisting primarily of administrative procedures.

The most current IRM sections applicable are:

- IRM 4.45.1 - Management of the Program - Rev 06-2002
  - IRM 4.45.2 - Case Selection - Rev 06-2002
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## EPTA Desk Guide

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### EPTA Desk Guide

The desk guide created for EPTA has been included on the CPE2003 CD because it includes directions regarding large case audit techniques. The EPTA Desk Guide summarizes audit techniques that consist of both administrative and audit procedures.

The EPTA Desk Guide Table of Contents has been included as Exhibit 1. Exhibit 1 indicates the EPTA Desk Guide discusses many topics that include preparation of an audit plan, specialist referrals, and workpapers. Because the EPTA Desk Guide is so inclusive, the individual topics regarding specific items will not be repeated here.

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## Large Case Audit Procedure Templates

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### Form 4764B

Generally, large case audit procedures are summarized on Form 4764B. The use of Form 4764B is explained starting on page 3 of Chapter 2 (Administrative Information) in the EPTA Desk Guide and is required in the EPTA pilot program.

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## Large Case Audit Procedure Templates, Continued

### Templates

Specific Form 4764B audit procedure templates for various examination areas have been included on the CPE 2003 CD and in the exhibits listed in the following table.

Note that the audit procedures listed on the Form 4764B templates are suggestions only and should be modified to fit the specific circumstances of your audit.

Note that other templates, including IDR requests, have been included on the CPE 2003 CD as well.

Exhibit 2	Preplanning
Exhibit 3	Historical
Exhibit 4	Plan and Trust Documents
Exhibit 5	Eligibility and Participation
Exhibit 6	Coverage
Exhibit 7	Vesting
Exhibit 8	Deduction Under IRC Section 404
Exhibit 9	Allocations
Exhibit 10	Benefit Accruals
Exhibit 11	HCE Test
Exhibit 12	ADP Test
Exhibit 13	ACP Test
Exhibit 14	Multiple Use Test
Exhibit 15	Termination of Service
Exhibit 16	Required Distributions
Exhibit 17	QRDO
Exhibit 18	Hardship Distributions
Exhibit 19	In Service Distributions
Exhibit 20	Participant Loans
Exhibit 21	IRC Section 415(b) Limitations
Exhibit 22	IRC Section 415(c) Limitations
Exhibit 23	IRC Section 415(e) Limitations
Exhibit 24	IRC Section 402(g) Limitations
Exhibit 25	Contributions in Excess of Plan Limits
Exhibit 26	Minimum Funding
Exhibit 27	UBI
Exhibit 28	Acquisition Indebtedness
Exhibit 29	Trust Disbursements

*Continued on next page*

## Large Case Audit Procedure Templates, Continued

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### Templates (continued)

Exhibit 30	Timeliness of Contributions
Exhibit 31	Assets Review
Exhibit 32	Unrelated Business Income Tax
Exhibit 33	Excise Tax
Exhibit 34	EP Related Returns
Exhibit 35	Employment Tax Returns
Exhibit 36	Forms 1099-R and 1099-MISC
Exhibit 37	Plan Sponsor Returns
Exhibit 38	Failure to File Returns
Exhibit 39	Annual Registration
Exhibit 40	Status Change Notice
Exhibit 41	Failure to File Form 5500 Returns
Exhibit 42	Statement to Participants
Exhibit 43	Actuarial Reports
Exhibit 44	DOL Referral
Exhibit 45	PBGC Referral
Exhibit 46	Power of Attorney
Exhibit 47	Written Authorization
Exhibit 48	Meetings
Exhibit 49	Blank Workpaper

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## Summary

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### Summary

You have learned in this chapter that large case audit techniques consist of both administrative and audit procedures. Large case audit techniques can be researched in the Internal Revenue Manual (IRM) and the Employee Plans Desk Guide (EPTA).

You have also learned how to utilize large case audit techniques using sample Form 4764B templates. The sample Form 4764B templates are suggestions only and should be modified to fit the specific circumstances of your audit.

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## Exhibit 1-EPTA Desk Guide Table of Contents

Content	PAGE
 Forward	iii
 EPTA Reference CD – Directory of Files	vii
 Chapter One – Planning the Examination	
Status of Examination	1-1
Preplanning	1-2
Risk Analysis	1-5
Coordination	1-6
Deviation Policy Statement P-4-5	1-8
Support Area/Territory Referrals	1-8
Planning or Status Meetings with EPTA Team Members	1-9
Financial Interest Disclosure	1-10
Prior to Opening Conference	1-10
Formal Opening Conference	1-11
Preparation of the Audit Engagement Agreement	1-13
Exhibit 1.1 – IDR for Written Authorization	1-14
Exhibit 1.2 – Established Criteria for EPTA Examinations	1-16
Exhibit 1.3 – Request for Area Counsel	1-17
Exhibit 1.4 – LMSB/EO Memo	1-19
Exhibit 1.5 – Request for Actuary Memo	1-20
Exhibit 1.6 – Deviation for Policy Statement P-4-5	1-22
Exhibit 1.7 – Financial Interest Disclosure	1-23
Exhibit 1.8 – Notice of Examination Letter – Plans Identified	1-24
Exhibit 1.9 – Notice of Examination Letter – Plans Not Identified	1-26
Exhibit 1.10 – Sample Audit Engagement Agreement	1-28
 Chapter Two – Starting the Examination	
Starting the EPTA Examination	2-1
Risk Analysis, Plan Revisions, Issues and Time Allocations	2-1
Organization of Binders	2-2
Examination Procedures	2-4
Plan Documents	2-5
Validation of Computer Files	2-6
Exhibit 2.1 – Chart of IRM Sections	2-8

*Continued on next page*

## Exhibit 1-EPTA Desk Guide Table of Contents, Continued

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	Chapter Three – Administration Information	
	Content and Organization of Workpapers	3-1
	Outline of Examination Procedures	3-2
	Examination Procedures	3-3
	Procedures for Computer Files/Disks	3-4
	Information Document Requests	3-5
	Notice of Proposed Adjustments	3-7
	Special Reports Procedures	3-8
	Reports Required During Examination	3-8
	Final Report	3-9
	Total Issue Resolution	3-9
	One Stop Customer Service	3-10
	Security	3-10
	Responsibilities of the EPTA Team Coordinator	3-10
	Exhibit 3.1 – Workpaper Index	3-13
	Exhibit 3.2 – Sample Form 4764B	3-15
	Exhibit 3.3 – Sample Workpaper	3-16
	Exhibit 3.4 – Sample IDR	3-19
	Exhibit 3.5 – IDR Log	3-20
	Exhibit 3.6 – Sample Form 5701 - NOPA	3-21
	Exhibit 3.7 – Issue Control Log	3-22
	Chapter Four – Case Closing Procedures	
	Closing Options	4-1
	Payment of Deficiencies	4-1
	Hot Interest and Restricted Interest	4-2
	Required Closing Forms	4-3
	Required Reports	4-4
	Processing the Case	4-5
	Closing Conference/Post-Audit Critique	4-6
	Closing Memorandum to LMSB/EO	4-7
	Meetings with Appeals	4-7
	Meetings with Area Counsel	4-7
	Historical/Planning File	4-8
	Exhibit 4.1 – Sample Case Chronology on Case Closing	4-9
	Chapter Five – Post-Closing Procedures	
	Post Examination Management Critique	5-1
	Storage of Case Workpapers and Machine Sensible Records	5-4
	Exhibit 5.1 – Post Examination Critique	5-6


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*Continued on next page*




**Exhibit 1-EPTA Desk Guide Table of Contents, Continued**

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 Chapter Six – Quick Action Group Charter	
Purpose of QAG	6-1
Structure of the QAG	6-1
Selection of First Members of QAG	6-1
Selection of New Members after the First Six-Month Period	6-1
NTEU Participation	6-2
Submissions to QAG	6-2
Review of QAG Submissions	6-2
Communications of Resolutions to EPTA Members	6-3
Communications Among QAG Members	6-3
Members	6-3
Charter Amendments	6-3

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## Exhibit 2, EPTA Desk Guide CD-Contents

FILES	REVISION DATE
 <b>EPTA DESK GUIDE</b>	
Chapter 1 – Planning the Examination.doc	03/24/2003
Chapter 2 – Starting the EPTA Examination.doc	03/24/2003
Chapter 3 – Administrative Information.doc	03/24/2003
Chapter 4 – Case Closing Procedures.doc	03/24/2003
Chapter 5 – Post-Closing Procedures.doc	03/24/2003
Chapter 6 – Quick Action Group Charter.doc	06/26/2002
EPTA Desk Guide - Table of Contents.doc	03/24/2003
EPTA Desk Guide Cover.doc	10/29/2001
EPTA Desk Guide Forward.doc	03/24/2003
EPTA Desk Guide Front Matter.doc	10/29/2001
EPTA Reference CD - Table of Contents.doc	03/24/2003
Exhibit 1-1 - Written Authorization.doc	03/24/2003
Exhibit 1-10 - Audit Engagement Agreement.doc	03/24/2003
Exhibit 1-2 - Established Criteria for EPTA Examinations.doc	10/29/2001
Exhibit 1-3 - Area Counsel Memo.doc	10/29/2001
Exhibit 1-4 - LMSB-EO Memo.doc	10/29/2001
Exhibit 1-5 - Request for Actuary Memo.doc	03/24/2003
Exhibit 1-6 - Deviation from Policy Statement P-4-5.doc	10/29/2001
Exhibit 1-7 - Financial Interest Disclosure.doc	03/24/2003
Exhibit 1-8 - Notice of Examination Letter – Plans Identified.doc	03/24/2003
Exhibit 1-9 - Notice of Examination Letter - Plans Not Identified.doc	03/24/2003
Exhibit 2-1 - Chart of IRM Sections.doc	03/24/2003


*Continued on next page*

**Exhibit 2, EPTA Desk Guide CD-Contents, Continued**

Exhibit 3-1 - Workpaper Index.doc	03/24/2003
Exhibit 3-2 - Sample Form 4764B.doc	03/24/2003
Exhibit 3-3 - Sample Workpaper.doc	03/24/2003
Exhibit 3-4 - Sample IDR.doc	03/24/2003
Exhibit 3-5 - IDR Log.doc	10/29/2001
Exhibit 3-6 - Form 5701 – NOPA.doc	10/29/2001
Exhibit 3-7 – Issue Control Log.doc	10/29/2001
Exhibit 4-1 - Closing Case Chronology Record.doc	10/29/2001
Exhibit 5-1 - Post-Examination Critique.doc	03/24/2003
<b>📁 EPTA TEMPLATES</b>	
<b>📁 AUDIT CAP INFORMATION</b>	
Closing Agreement Letter - Executed Copy.doc	10/29/2001
Closing Agreement Letter - To Be Signed.doc	10/29/2001
<b>📁 AUDIT ENGAGEMENT AGREEMENTS</b>	
004-01 - Audit Engagement Agreement.doc	03/24/2003
<b>📁 CORRESPONDENCE</b>	
Actuary Memo.doc	03/24/2003
Area Counsel Memo.doc	10/29/2001
Blank Letterhead with Plain Logo.doc	10/29/2001
Blank Letterhead with TEGE Logo.doc	10/29/2001
Blank Memo.doc	10/29/2001
Fax Coversheet.doc	10/29/2001
Letter 1024.doc	10/29/2001
Letter 1399.doc	10/29/2001
Letter 1744.doc	10/29/2001
Letter 2085.doc	10/29/2001
Letter 3164E.doc	03/06/2002
Letter 3164F.doc	03/06/2002
Letter 3164G.doc	03/06/2002
Letter 3173.doc	10/29/2001
Letter 907 for Form 872.doc	03/06/2002
Letter 907 for Form SS-10.doc	03/06/2002


*Continued on next page*

**Exhibit 2, EPTA Desk Guide CD-Contents, Continued**

Letter 928.doc	03/06/2002
Letter 929 for Form 872.doc	03/06/2002
Letter 929 for Form SS-10.doc	03/06/2002
Letter 937 - Cover Letter for POA.doc	03/24/2003
Letter 992.doc	03/06/2002
LMSB-EO Memo.doc	10/29/2001
Notice of Exam Letter-Plans Identified.doc	03/24/2003
Notice of Exam Letter-Plans Not Identified.doc	03/24/2003
 <b>EP WORKPAPERS</b>	
004-01 – Preplanning.doc	03/24/2003
008-01 – Historical.doc	03/24/2003
100-01 – Plan and Trust Documents.doc	03/24/2003
210-01 – Eligibility and Participation.doc	03/24/2003
210-02 – Coverage.doc	03/24/2003
220-01 – Vesting.doc	03/24/2003
230-01 – Deduction Under IRC Section 404.doc	03/24/2003
240-01 – Allocations.doc	03/24/2003
240-01 – Benefit Accruals.doc	03/24/2003
240-02 – HCE Test.doc	03/24/2003
240-03 – ADP Test.doc	03/24/2003
240-04 – ACP Test.doc	03/24/2003
250-01 – Termination of Service.doc	03/24/2003
250-02 – Required Distributions.doc	03/24/2003
250-03 – QDRO.doc	03/24/2003
250-04 – Hardship Distributions.doc	03/24/2003
250-05 – In-Service Distributions.doc	03/24/2003
250-06 – Participant Loans.doc	03/24/2003
260-01 – IRC Section 415(b) Limitations.doc	03/24/2003
260-01 – IRC Section 415(c) Limitations.doc	03/24/2003
260-02 – IRC Section 415(e) Limitations.doc	03/24/2003
260-03 – IRC Section 402(g) Limitations.doc	03/24/2003
260-04 – Contributions in Excess of Plan Limits.doc	03/24/2003

*Continued on next page*

**Exhibit 2, EPTA Desk Guide CD-Contents, Continued**

270-01 – Minimum Funding.doc	03/24/2003
310-01 – UBI.doc	03/24/2003
320-01 – Acquisition Indebtedness.doc	03/24/2003
330-01 – Trust Disbursements.doc	03/24/2003
340-01 – Timeliness of Contributions.doc	03/24/2003
410-01 – Asset Review.doc	03/24/2003
510-01 – Unrelated Business Income Tax.doc	03/24/2003
520-01 – Excise Tax.doc	03/24/2003
600-01 - Package Audit.doc	03/24/2003
700-01 - Penalties.doc	03/24/2003
810-01 - DOL Referral.doc	03/24/2003
811-01 - PBGC Referral.doc	03/24/2003
820-01 - Power of Attorney.doc	03/24/2003
830-01 - Written Authorization.doc	03/24/2003
940-01 - Meetings.doc	03/24/2003
960-01 - Third Party Contacts.doc	03/24/2003
Blank Workpaper.doc	03/24/2003
 <b>FORMS</b>	
Form 10329 - Transmittal Sheet - Related Cases.pdf	03/06/2002
Form 12175 - Third Party Contact Report Form.pdf	03/06/2002
Form 12180 - Third Party Contact Authorization.pdf	03/06/2002
Form 12654 - Authorization for Long-Term Taxable Travel.pdf	03/24/2003
Form 13133 - Expedite Processing Cycle.pdf	03/24/2003
Form 1725 - Routing Slip.pdf	03/24/2003
Form 1900 - Income Tax Survey After Assignment.pdf	03/06/2002
Form 2039 – Summons.pdf	03/24/2003
Form 2797 - Referral Report for Potential Fraud Cases.pdf	03/24/2003
Form 3198 - Special Handling Notice.pdf	03/06/2002
Form 3210 - Document Transmittal.pdf	03/06/2002
Form 3244 A - Payment Posting voucher – Examination.pdf	03/24/2003



*Continued on next page*

**Exhibit 2, EPTA Desk Guide CD-Contents, Continued**

Form 4485 - Coordinated Examination Support Request.pdf	03/06/2002
Form 4564 - Information Document Request.doc	10/29/2001
Form 5464 - Case Chronology Record.doc	10/29/2001
Form 5588 - TEGE NMF Request.pdf	03/06/2002
Form 5595 - TEGE Update.pdf	03/06/2002
Form 5596 - TEGE Non-Examined Closings.pdf	03/06/2002
Form 5597 - TEGE IMP-BMF-EPMF Request.pdf	03/24/2003
Form 5599 - TEGE Examined Closing Record.pdf	03/24/2003
Form 56 - Notice Concerning Fiduciary Relationship.pdf	03/24/2003
Form 5644 - TEGE Inquiry Request.pdf	03/06/2002
Form 5650 - EP Examined Closing Record.pdf	03/06/2002
Form 5666 - TEGE Referral Information Report.pdf	03/24/2003
Form 5701 - Notice of Proposed Adjustment.doc	10/29/2001
Form 5901 - EP Correction Request.pdf	03/06/2002
Form 6533 - Examination Referral Checksheet to PBGC.pdf	03/06/2002
Form 870 - Waiver of Restrictions.pdf	03/24/2003
Form 872 - Consent to Extend the Time to Assess Tax – Corp.pdf	03/06/2002
Form 872 - Consent to Extend the Time to Assess Tax – Trusts.pdf	03/06/2002
Form 872-T - Notice of Termination – Corp.pdf	03/24/2003
Form 872-T - Notice of Termination – Trusts.doc	03/24/2003
Form 872-U - Change of Address.doc	03/24/2003
Form 886-A - Explanation of Items.doc	03/06/2002
Form 895 - Notice of Statute Expiration.doc	03/24/2003
Form 9814 - Express Services Routing.doc	03/24/2003
Form SS-10 - Consent to Extend the Time to Assess Tax – EO.doc	03/24/2003
Form SS-10 - Consent to Extend the Time to Assess Tax – GE.doc	03/24/2003

*Continued on next page*

**Exhibit 2, EPTA Desk Guide CD-Contents, Continued**

Memorandum of Contact - Blank.doc	10/29/2001
Publication 1 - Your Rights as a Taxpayer.pdf	03/06/2002
Publication 1035 - Extending the Tax Assessment Period.pdf	03/06/2002
 <b>IDRs</b>	
930-001 - Written Authorization.doc	03/24/2003
930-XXX - ACP Test.doc	03/24/2003
930-XXX - ADP Test.doc	03/24/2003
930-XXX - Assets & Liabilities - 401a Plans.doc	03/24/2003
930-XXX - Assets & Liabilities - 403b Plans.doc	03/24/2003
930-XXX - Coverage & Universal Availability - 403b Plans.doc	03/24/2003
930-XXX - Deduction - 401a Plans.doc	03/24/2003
930-XXX - Form 1099-R Computer File.doc	03/24/2003
930-XXX - Hardship Distributions.doc	03/24/2003
930-XXX - Inservice Distributions.doc	03/24/2003
930-XXX - MEA Calculations.doc	03/24/2003
930-XXX - Minimum Funding.doc	03/24/2003
930-XXX - Package Audit.doc	03/24/2003
930-XXX - Participant Account Records.doc	03/24/2003
930-XXX - Participant Loans.doc	03/24/2003
930-XXX - Payroll Master File.doc	03/24/2003
930-XXX - Plan and Trust Documents - 401a Plans.doc	03/24/2003
930-XXX - Plan Documents - 403b Plans.doc	03/24/2003
930-XXX - Plan Operations.doc	03/24/2003
930-XXX - QDRO.doc	03/24/2003
930-XXX - Termination of Service Distributions.doc	03/24/2003
930-XXX - Timeliness of Contributions.doc	03/24/2003
930-XXX - W-2 and 1099 Computer Files.doc	03/24/2003
Blank IDR.doc	03/24/2003
 <b>LOGS</b>	
Correspondence Log.doc	10/29/2001
Form 5699 - IDR Log.doc	10/29/2001
Form 5700 - Issue Control Log.doc	10/29/2001

*Continued on next page*

**Exhibit 2, EPTA Desk Guide CD-Contents, Continued**

Meetings Log.doc	10/29/2001
Third Party Contacts Log.doc	03/24/2003
<b>PREPLANNING</b>	
EPIC-AIMS-ETS Information.doc	03/24/2003
Financial Interest Disclosure.doc	10/29/2001
IDRS CFOL Formats.xls	03/24/2001
Opening Conference Agenda.doc	10/29/2001
Web Sources for PreAudit Analysis.doc	03/24/2003
Workpaper Index - 403b Plan.doc	03/24/2003
Workpaper Index - DB Plan.doc	03/24/2003
Workpaper Index - DC Plan.doc	03/24/2003
<b>EPTA TEQMS</b>	
TEQMS for EP Large Case Audits - Course 4312 - February 2002.doc	03/06/2002
<b>LONG TERM TAXABLE TRAVEL INFO</b>	
Long-Term Taxable Travel.pdf	03/06/2002
LTTT - Handout 1 - Revenue Ruling 99-7.pdf	03/06/2002
LTTT - Handout 2 - Revenue Ruling 93-86.pdf	03/06/2002
<b>QUESTIONS AND ANSWERS</b>	
Area Counsel Advisory.pdf	03/06/2002
Questions and Answers - Complete List.pdf	03/06/2002
Questions and Answers - EP&R.pdf	03/06/2002
<b>SUMMONS MATERIAL</b>	
Summons Guide.pdf	10/2001