



## **Managed Audit Program**

Act 171 of the 2011 Regular Legislative session authorizes the use of a Managed Audit Program. The Louisiana Department of Revenue's Managed Audit Program will allow a taxpayer and/or the taxpayer's representative to have an active role in the audit of their business.

A Managed Audit allows certain businesses to conduct a type of self-audit where most of the audit functions are performed primarily by the taxpayer with guidance and verification provided by an LDR Computer Audit Specialist (CAS).

### **How Do I Qualify?**

The decision to perform a Managed Audit is solely at the Department's discretion. Careful consideration is given to the following factors:

- Complexity of the business
- Tax reporting and payment history
- Accounting system and internal controls
- Availability of electronic records
- Taxpayer's time and resources available to perform the audit
- Cost vs. benefit: Efficient use of state's resources

### **Benefits of Managed Auditing**

- The Taxpayer will gain a better understanding of how Louisiana State tax laws apply to their business activity.
- The audit process will be less disruptive to their business operations since they will be able to manage their own resources.
- The Department may not assess penalties and may waive all or part of the interest that would otherwise accrue on any amount identified to be due based on the results of the managed audit.

### **Managed Audit Process**

1. The first step to begin the managed audit process is the taxpayer's request for a managed audit within 30 days of the scheduled audit appointment date.
2. If the managed audit will proceed, a letter will be sent giving the taxpayer 45 days to submit all necessary forms and information. The taxpayer should include the following items in the package to be delivered to the field office of the assigned CAS within the 45 days:

- a. Completed managed audit agreement signed by a corporate officer, corporate director, or owner of the taxpayer under audit.
  - b. Audit plan describing audit procedures for each area in the audit
  - c. Timeline outlining prescribed audit activities and their expected completion dates
  - d. Original data files in an approved format containing sales and/or purchase information
  - e. Statute waiver, if needed, protecting and extending prescribing periods.
3. The average time allowed on a managed audit should be between 6 and 12 months. Company growth, acquisition of other companies, the sale of business divisions, and other applicable factors will be considered in determining the completion date and can justify the addition of another 6 to 12 months to the overall time line.
4. The managed audit program allows the taxpayer to perform a sample audit. LDR will determine the appropriate sampling procedures for the completion of a Managed Audit. The development of a sampling approach will include:
  - a. Identification of populations
  - b. Identification of accounts of interest
  - c. Verification of population bases
  - d. Selection of samples in accordance with LDR guidelines
  - e. Analysis of samples in accordance with LDR guidelines
  - f. Approval of sampling approach
  - g. Issuance of Agreement to Accept Audit Sampling Procedures
5. If the taxpayer intends to process a refund while the managed audit is in progress, then all refunds will be processed with the managed audit. Refunds requested outside the managed audit will be denied and included in the managed audit.
6. If the taxpayer submitted a refund for a period encompassing the managed audit and the refund has been paid, the credit interest paid on the refund will be offset against the managed audit results
7. The taxpayer's appeal rights under a Managed Audit are the same as under a regular conventional audit.

For more information about the LDR Managed Audit Program, contact the Field Audit Services Division at the following address and phone number:

Louisiana Department of Revenue  
Field Audit Services  
P.O. Box 4936  
Baton Rouge, LA 70821-4936  
Telephone: (225) 219-2720

Information is also available on the LDR web site at [www.revenue.louisiana.gov](http://www.revenue.louisiana.gov)