

USE OF ELECTRONIC DATA IN THE AUDIT PROCESS

Electronic information is used in the same method as in a standard paper audit. The difference is that the records or summary reports are reviewed electronically rather than in hard copy.

ORIGINAL DATA RETURNED TO TAXPAYER WHEN THE AUDIT IS COMPLETE

The original data is returned to you or destroyed at your request. Necessary data is maintained in the auditor's file.

SECURITY OF THE DATA

The information provided during the audit is protected by law. The data is maintained on a secure workstation while the audit is performed.

FOR MORE INFORMATION CONTACT

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For more information on state excise taxes, please visit our web site at <http://dor.wa.gov> or call our Telephone Center at 1-800-647-7706

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COMPUTER ASSISTED AUDIT PROGRAM



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COMPUTER ASSISTED AUDIT PROGRAM OVERVIEW

The Computer Assisted Audit Program (CAAP) provides a method of gathering and reviewing data in electronic format rather than paper. Effective March 2007, taxpayers with electronic records are required to provide the electronic records to the Department of Revenue upon request (WAC 458-20-254).

Even if some of your records are electronic and some are paper, you still can benefit from a Computer Assisted Audit (e.g., sales may be reviewed using paper copies, while purchases can be summarized or sampled electronically). A questionnaire and initial conference will help determine the best way to use the Computer Assisted Audit Program.

BENEFITS OF A CAAP AUDIT

- Auditors spend less time at the taxpayer's place of business. This makes the audit process less disruptive to the business activities.
- There is less chance for input errors. Transactions are reviewed as they were recorded in the business records.
- Stratified samples when used maximizes consistency and fairness.
- Using electronic records reduces the number of support documents needed while maintaining sound auditing procedures.
- CAAP provides many services such as summarizing electronic data, statistical sampling and data conversions.
- Electronic data in their native file formats are preferred such as mainframe and text. Conversion to Excel is not required.

THE COMPUTER ASSISTED AUDIT

STEP 1

OPENING CONFERENCE

A conference may be scheduled with the auditor, computer audit specialist, and your tax representative and information services staff. The most appropriate audit techniques for each area of the audit will be selected. The following topics will be discussed:

- General audit procedures
- Computer assisted audit procedures
- Records transfer process
- Sampling issues, if relevant
- Information needed in electronic format

STEP 2

DATA RETRIEVAL AND INTEGRITY

We can accept data in many different formats and process the data into a usable format.

The electronic information is verified for accuracy and completeness (for example, monthly totals from the electronic records may be traced to the general ledger).

STEP 3

THE STATISTICAL SAMPLE

Items of interest are identified and electronically segregated by dollar amount.

When appropriate, the computer audit specialist will develop a statistical random sample. Stratification of the sample will be done based on a dollar range.

Taxpayer will provide support documentation for the sample items (e.g., invoices).

The auditor will review the sample items and detail any adjustments found. The computer audit specialist will evaluate the sample based on statistical criteria.

Any adjusted amount will be allocated over the audit period.

