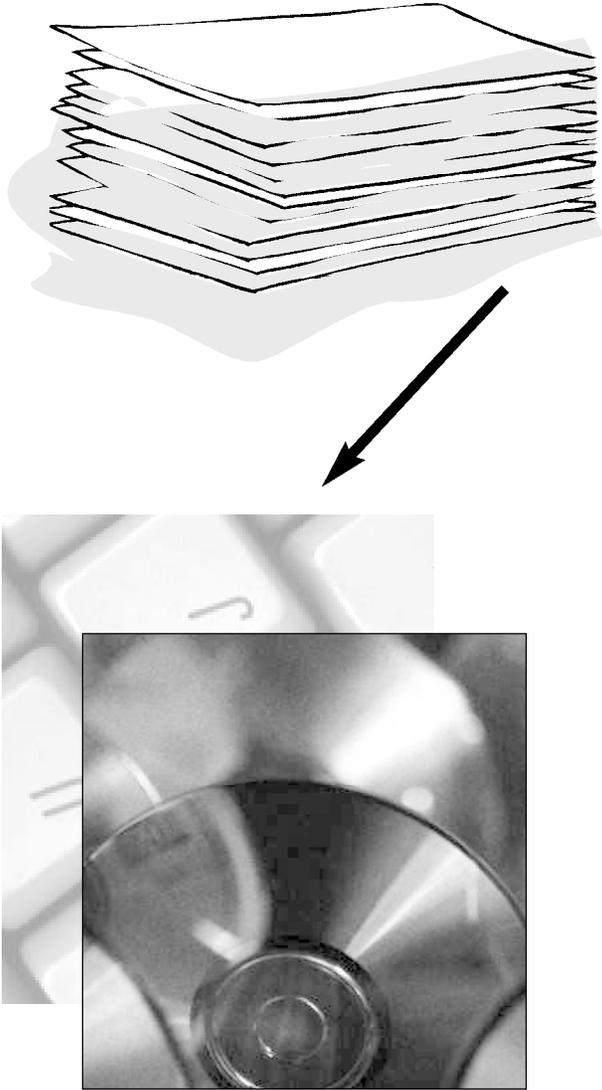
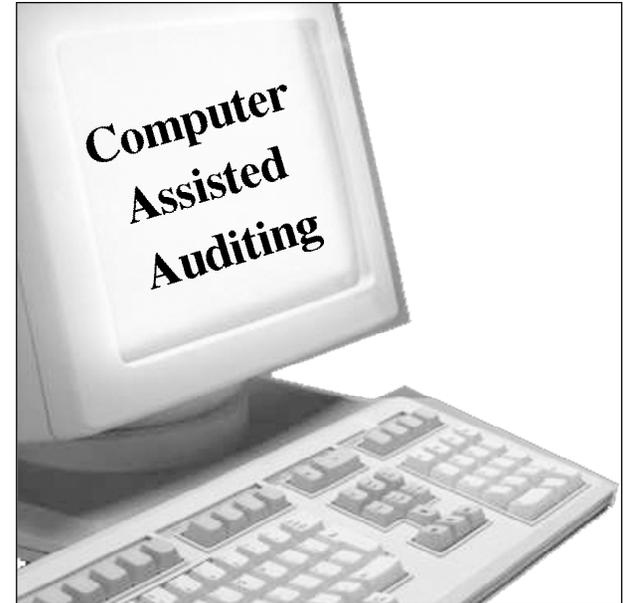

Let computers do the work...



...talk to a sales tax auditor about using computer assisted audit techniques!

Bureau Of Audits



- **Less time consuming**
- **Less paperwork**
- **Less disruptive to business operations**

Pennsylvania can significantly increase the efficiency with which your audit is conducted. Computer assisted audit techniques offer valuable options for companies maintaining computerized records.



DAU-23 (6-06)

What is a computer assisted audit?

There are various computer assisted audit techniques available. One or more of these techniques may be used to conduct an audit. The manner in which records are maintained will determine the most effective and efficient method to conduct an audit.

The two most common types of computer assisted audit techniques are:

- Statistical sample
- Complete audit

A computer assisted *statistical sample* reduces the taxpayer's time, effort, and resources necessary to conduct an audit of numerous transactions. Relevant accounts are identified and separated by dollar amount (i.e. stratified). A random sample of transactions is then selected. Only the sample transactions are required to be provided. Any tax deficiencies or use tax overpayments identified in the sample are projected onto the total dollars in the selected accounts to determine audit results.

Statistical sample audits have several advantages over traditional block testing. There are fewer sample transactions audited while more of the total dollars is reviewed. Other advantages are that the reliability of the test can be measured and changes during the audit period (e.g. business activities, tax laws, accounting systems, and personnel) will be reflected in the random sample selected from throughout the audit period.

A computer assisted *complete audit* eliminates the use of projections and estimates to calculate audit results. Established audit deficiencies will be supported by actual lists of deficient customers, vendors and/or transactions. This will help to correct areas of deficiency and collect assessed sales taxes.

Audit site time, data entry, and retrieval of source documents can be greatly reduced. Auditors can work with sorted and summary information to focus on selected audit areas. For

example, a summary of nontaxed sales by customers can be used to audit nontaxed sales for the audit period.



Who can use a computer assisted audit?

In order to take advantage of computer assisted auditing techniques, specific information may need to be captured by your computer records. The records normally required are at the transaction level. Useful fields include invoice date, invoice number, customer or vendor name and address, merchandise, sales or purchase amount, and sales/use tax.

However, you need not maintain all records in a computerized format to benefit from computer assisted auditing techniques. A computer assisted audit offers flexibility by applying different techniques to separate areas of business operations. For example, a computer assisted technique may be used to review sales, while fixed assets may be reviewed manually.

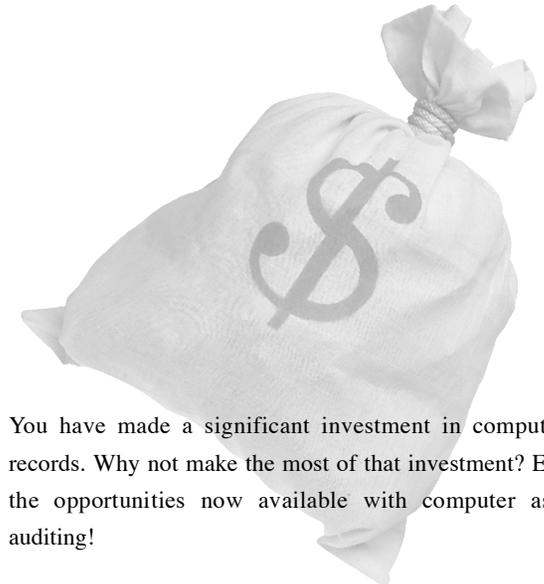
The Department may use questionnaires and an initial conference to determine if you are a good candidate for a computer assisted audit. A good candidate will have some or all of the following characteristics:

- Computerized records
- Large volume of transactions
- Invoices that are difficult or expensive to retrieve
- Electronic Data Interchange (EDI) – no invoices
- Sales to many jurisdictions
- Multiple locations

If it is determined that a computer assisted audit is feasible, a conference will be scheduled that will include the auditor, a member of the Computerized Audit Support Division, and appropriate representatives from your business. The objective of this conference is to determine the most appropriate audit technique to be used on each area of the audit. The conference team will gather detailed information about available files and their format.

What are the benefits of a computer assisted audit?

Computer assisted audit techniques reduce on-site audit time, making the audit process less disruptive to business operations. Since less paperwork is involved, less time is required on both sides for information retrieval and review. Additionally, audit results are more accurate and complete. This provides taxpayers a better opportunity to use audit results to identify and correct deficient areas.



You have made a significant investment in computerized records. Why not make the most of that investment? Explore the opportunities now available with computer assisted auditing!

If you wish to obtain additional information, please send an email to jwincovite@state.pa.us with "requirements" in the subject line. In the body of the email indicate the tax that is being audited so that the appropriate computer file requirements can be emailed back to you.
