

Audit Program

General

An audit program is a system used to select and conduct audits. A property tax audit program provides an outline of the work to be performed, including practices and procedures to ensure that the audit objectives are achieved. More specifically, such a program should provide the county assessor with the tools to monitor audit work in progress, document completed audits, provide for the appropriate management review to ensure quality work, and ensure appropriate correspondence with taxpayers.

An audit program can be classified into five distinct phases:

1. Audit Selection
2. Audit Tracking
3. Conducting the Audit
4. Audit Report
5. Post Audit

Effective January 1, 2009, a county assessor is no longer required to audit all taxpayers with trade fixtures and business tangible personal property holdings of \$400,000 or more at least once every four years. Instead, an assessor is required to annually audit a "significant number of audits" as specified in [section 469](#).

[Section 469\(a\)](#) provides that the assessor shall annually conduct a significant number of audits of the books and records of taxpayers engaged in a profession, trade, or business who own assessable trade fixtures and business tangible personal property in the county. A "significant number of audits" means at least 75 percent of the fiscal year average of the total number of audits the assessor was required to have conducted during the 2002-03 fiscal year to the 2005-06 fiscal year, inclusive, on those taxpayers in the county that had a full value of \$400,000 or more of locally assessable trade fixtures and business tangible personal property.

[Section 469\(b\)](#) provides that fifty percent of the required audits shall be performed on taxpayers selected from a pool of those taxpayers that have the largest assessments of locally assessable trade fixtures and business tangible personal property in the county. The remaining 50 percent of the required audits shall be selected in a manner that is fair and equitable to all taxpayers and may be based on evidence of underreporting as determined by the assessor.

[Rule 192](#) prescribes the computation establishing minimum required audit production and provides the basis for the audit selection process. [Letter To Assessors \(LTA\) No. 2009/049](#) provides a list of the minimum annual property tax audits required to be conducted by each county, which includes the significant number of audits and the number of audits required from the pool of largest assessments.

A comprehensive audit program is essential to the successful administration of any tax program that relies on information supplied by taxpayers. A good audit program discourages deliberate underreporting, helps educate those property owners who unintentionally misreport, and provide the assessor with additional information to make fair and accurate assessments.

For additional information regarding the audit program, refer to [Assessors' Handbook Section 506, Property Tax Audits and Audit Program \(AH506\)](#).

Scope of Review

The BOE's assessment practices survey team evaluates the assessor's practices and procedures for conducting audits.

The specific areas of review may include, but are not limited to, the following:

- **Audit Selection**
- **Audit Tracking**
- **Conducting the Audit**
- **Audit Report**
- **Post Audit**