



Special Notice

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New Regulation: Audit Procedures

New [Regulation 1698.5, *Audit Procedures*](#), formalizes audit expectations and documents the sales and use tax audit process for taxpayers and Board of Equalization (BOE) staff. The regulation explains the purpose of an audit, the expected timeframe for completing an audit, and the duties and responsibilities of BOE staff as well as taxpayers during an audit. If your business has been selected for audit, Regulation 1698.5, along with [publication 76, *Audits*](#), will give you information about what to expect during the audit process. You can find a copy of Regulation 1698.5, *Audit Procedures*, at www.boe.ca.gov/sutax/pdf/reg1698-5.pdf.

Regulation 1698.5:

- Provides that an auditor will discuss with and provide the taxpayer an audit plan.
- Establishes the duty of the taxpayer to maintain and provide records, and to adhere to the timeframes in the audit plan.
- Establishes what taxpayers can expect in pre-audit, opening, status, and exit conferences.
- Establishes a standard procedure for requesting records including verbal requests, Information Document Requests, and Formal Notice and Demand letters.
- Establishes standard response times for document requests.
- Provides that the auditor will keep the taxpayer informed of the status of the audit through status conferences and Audit Findings Presentation Sheets.
- Establishes guidelines regarding the location of the audit, site visitations, and requests to change the location of the audit.
- Provides that a taxpayer will be requested to sign a waiver of limitation when there is sufficient information that an understatement or overstatement exists, but there is insufficient time to complete the audit before the statute of limitations expires, or when a taxpayer requests a postponement before the audit begins or while in process.

Team Audits

The BOE routinely conducts team audits of large businesses. In a team audit, a lead auditor will manage a group of auditors who will complete the various segments of the audit. The team audit approach is beneficial to both taxpayers and the BOE as it provides for a more efficient and effective audit program. If your business is selected for a team audit, you will find this approach reduces the time necessary to complete the audit, which should decrease the time needed in your operations.

Every BOE employee is trained to treat you courteously and impartially, and if your business is selected for an audit, you have the right to a fair and impartial examination. The procedures described in Regulation 1698.5 are designed to enhance the protection of your rights by providing for appropriate and timely communication between you and BOE audit staff concerning requests, agreements, and expectations related to an audit. Please be aware that if an issue arises that you are not able to resolve with the auditor, you have the right to meet with the auditor's supervisor. You also have the right to receive copies of the audit working papers; receive information and assistance in simple language to help you comply with the tax and fee laws the BOE administers; and appeal an audit determination or claim a refund as allowed by law. Please see [publication 70, *Understanding Your Rights as a California Taxpayer*](#), for more information about your rights. Appeals procedures are detailed in [publication 17, *Appeals Procedures - Sales and Use Taxes and Special Taxes*](#).