

**MAP 1
OVERVIEW**

- 1.1 INTRODUCTION**
- 1.2 TAXPAYERS' BILL OF RIGHTS**
- 1.3 PRIVACY PRINCIPLES**
- 1.4 MISSION OF THE FRANCHISE TAX BOARD**
- 1.5 STATEMENT OF PRINCIPLES OF TAX ADMINISTRATION**
- 1.6 CUSTOMER SERVICE**
- 1.7 AUDIT OBJECTIVES**
- 1.8 AUDIT STANDARDS**
- 1.9 AUDIT PRIORITIES**
- 1.10 RESOURCE CONSIDERATION**
- 1.11 COMMONLY USED ACRONYMS**

Rev. 7/17

1.1 INTRODUCTION

The Manual of Audit Procedures (MAP) contains procedures and guidelines for completing all types of audits. This manual is meant to be the primary reference for current audit procedures. However, the MAP does not contain all possible audit situations. It will be noted when differences exist for each program.

As explained in [FTB Notice 1994-8](#), manuals provided for the guidance of audit staff are not authoritative and may neither be cited to support an audit position nor relied upon by a taxpayer. Instead, the manual should be used as an initial step in understanding audit procedures and guidelines.

Statements of law made in the MAP reflect the law on the manual's revision date. To ensure the continued relevance of this manual, it is important that it be updated to reflect changes. Any suggestions or corrections are welcomed and should be sent to MAP Update Team.

Rev. 7/17

**MAP 1
OVERVIEW**

1.2 TAXPAYERS' BILL OF RIGHTS	<p>See the California Taxpayers' Bill of Rights (Form FTB 4058C) and for more information, refer to the income tax law code sections. Most of the Taxpayers' Bill of Rights provisions are in R&TC Sections 21001 – 21028.</p> <p>You can find the California Taxpayers' Bill of Rights on the FTB public website.</p> <p style="text-align: right;">Rev. 7/17</p>
1.3 PRIVACY PRINCIPLES	<p>The Franchise Tax Board takes the privacy of personal information very seriously. You are responsible for protecting any personal information used in your audits.</p> <p>See our Privacy Policy on the FTB public website.</p> <p style="text-align: right;">Rev. 7/17</p>
1.4 MISSION OF THE FRANCHISE TAX BOARD	<p>See our Mission Statement on the FTB public website.</p> <p style="text-align: right;">Rev. 7/17</p>
1.5 STATEMENT OF PRINCIPLES OF TAX ADMINISTRATION	<p>See our Statement of Principles of Tax Administration on the FTB public website.</p> <p style="text-align: right;">Rev. 7/17</p>
1.6 CUSTOMER SERVICE	<p>In the high quality audit environment, we listen, recognize and respect a customer's needs, and provide timely assistance. Our Statement of Principles of Tax Administration clearly values high quality customer service.</p>

MAP 1 OVERVIEW

We emphasize customer service while ensuring compliance. To ensure quality customer service, the Audit Division stresses the following goals:

- **Value Customer Service** – Be aware of customer service and its application during audit activities.
- **Be Efficient** – Audit tax year(s) that are more current, shorten audit time, and produce quality audits.
- **Follow up and Meet Deadlines** – Always respond timely to letters, phone calls, etc.
- **Minimize Intrusiveness** – Use all available resources to minimize information requests. Be flexible by accepting alternative documents when possible. Apply the law consistently and clearly. Emphasize education and compliance to measure benefits and efficiencies.
- **Value and Apply Professionalism in the Workplace** – Value communication. Respect individuality and ideas. Provide equal opportunities to staff. Continue developing and training staff.

It is critical to establish a positive relationship with the taxpayer or representative to ensure completion of the audit effectively and on time. To encourage positive working relationships, use the audit standards of Legality, Objectivity, Timeliness, and Supportability (see MAP 1.8 Audit Standards).

When interacting with the taxpayer and/or representative, ensure that:

- The taxpayer understands the audit's purpose and our legitimate need for the information requested. Discuss alternative information sources that could be used to satisfy the request.
- You evaluate the audit data and determine the results in a timely, fair, and impartial manner.
- You ensure that the audit progresses with a minimum of inconvenience to the taxpayer. This includes obtaining information

**MAP 1
OVERVIEW**

	<p>from third party sources in order to minimize the inconvenience (see MAP 6.11 Third Party Contacts). Auditors should always keep in mind the other available sources of information, which could make an Information/Document Request (IDR) unnecessary.</p> <ul style="list-style-type: none">• Both the facts and the law support the final audit recommendations.• You communicate the results of the audit in writing to the taxpayer, and provide the taxpayer with the opportunity to rebut any findings. <p style="text-align: right;">Rev 7/17</p>
1.7 AUDIT OBJECTIVES	<p>The primary responsibility for determining the correct amount of tax rests with taxpayers. In accordance with R&TC Sections 19501 - 19504, the department has developed Audit Programs. The objective of an audit is to effectively and efficiently determine the correct amount of tax based on an analysis of relevant tax statutes, regulations, and case law as applied to the taxpayer's facts. The procedures and techniques needed to successfully complete an audit assignment will depend on the circumstances in each case.</p> <p>In all cases, established audit standards and resource considerations govern how the procedures and techniques are used and also the manner in which they are applied.</p> <p>Experience has shown that the best results are achieved through cooperation, effective communications, and setting and adhering to goals throughout the audit process.</p> <p style="text-align: right;">Rev. 7/17</p>

MAP 1 OVERVIEW

1.8 AUDIT STANDARDS

We use audit standards throughout the audit process by identifying issues, gathering, evaluating, documenting information, and determining the correct tax liability, supported by reasonable interpretation of the tax laws.

Use the following audit standards in completing audits, called **LOTS**:

- **LEGALITY** – Ensure audit activities and conclusions agree with established laws and legal interpretations.
- **OBJECTIVITY** – Examine all relevant, available facts fairly and without bias.
- **TIMELINESS** – Conduct and complete audits with a minimum of inconvenience to taxpayers.
- **SUPPORTABILITY** – Adequately support recommendations with facts and law.

To consistently meet our audit standards, you are expected to correctly apply and administer the tax laws in a reasonable, practical, fair, and impartial manner. Conduct audits within the bounds of the law, with sound administration, minimal delay, courtesy, and respect to taxpayers. Also, conduct audits in a manner that is the least burdensome, costly, or intrusive to taxpayers.

Rev 7/17

**MAP 1
OVERVIEW**

1.9 AUDIT PRIORITIES	<p>You must determine the relative priority of each of the cases assigned to you and conduct your activities accordingly. The criteria used in establishing these priorities include the following:</p> <ul style="list-style-type: none">• Statute of Limitations (SOL) Expiration Date – You must submit all cases to review with at least 6 months before the expiration of the SOL. Consider requests for early statutes. See MAP 4.1 Statute of Limitations.• Collection of Tax in Jeopardy – This includes situations where there are indications that the taxpayer may leave the state, Jeopardy Assessments and Post Dissolution Audits. See MAP 7.14 Jeopardy Assessments and MAP 21 Post Dissolution.• Tax Clearance – To permit dissolution or withdrawal from the State. Also, see MAP 21 Post Dissolution.• Claims for Refunds – See MAP 8 Claims.• Protest Cases – See MAP 15 Protest.• Backlog cases – See MAP 5.3 Referrals.• Cases started by another office or auditor and forwarded for completion. <p>The audit priorities are general in nature and may vary slightly for each Program or Office. Exercise judgment in each case.</p> <p style="text-align: right;">Rev 7/17</p>
1.10 RESOURCE CONSIDERATION	<p>The resources available to the department are set through the budget process. The department expects you to use these limited resources efficiently and effectively.</p> <p>The following general resource guidelines apply in all cases:</p> <ul style="list-style-type: none">• Use a limited scope audit when appropriate.• Taxpayers carry the burden of supporting over-assessments.• Working paper files and documentary evidence must adequately support the audit recommendations. This is necessary to sustain the proposed audit adjustments at the protest and appeals level. <p style="text-align: right;">Rev. 7/17</p>

MAP 1 OVERVIEW

1.11 COMMONLY USED ACRONYMS

These acronyms are used throughout the Manual of Audit Procedures:

Acronym: What it means:	
AIPS	Audit Issue Presentation Sheet
BAP	Best Audit Business Practices
BETS	Business Entity Tax System
CDTFA	California Department of Tax and Fee Administration
CR&TC	California Revenue and Taxation Code
FTB	Franchise Tax Board
GTA	General Tax Audit
IDR	Information Document Request
IMF	Individual Master File
IRC	Internal Revenue Code
IRS	Internal Revenue Service
MAP	Manual of Audit Procedures
MATM	Multi-state Audit Technique Manual
MSA	Multi-state Audit
NPA	Notice of Proposed Assessment
OTA	Office of Tax Appeals
PASS	Professional Audit Support System
PIT	Personal Income Tax
RAR	Revenue Agent's Report
SBE	State Board of Equalization
TI	Taxpayer Information

Rev. 11/17