

Finance and Administration Cabinet STANDARD PROCEDURE		ISSUED BY: Department of Revenue; Tax Administration
PROCEDURE # 6.11.4	SUBJECT: Auditor Collections in Field Audits	
EFFECTIVE DATE: 6/24/2010		
CONTACT: Commissioner's Office		LOCATION: State Office Bldg, 11th Floor PHONE: 502-564-3226

STATEMENT OF AUTHORITY

1. The Finance and Administration Cabinet's Standard Procedures Manual establishes standard mandatory internal procedures cabinet-wide. These procedures are established in accordance with the Secretary's statutory authority under KRS 42.014 and KRS 12.270 to establish the internal organization and functions of the Cabinet as necessary to perform the duties effectively.
2. The Standard Procedures Manual may only be revised in accordance with the process outlined in Standard Procedure #1.1 entitled: "Finance Standard Procedures and Manual".

I. POLICY

The Department of Revenue's (DOR) Revenue Field Auditors are empowered to collect in whole or in part balances due from all field audits. In order to expedite the collection process and allow the taxpayer to stop the accrual of interest on any portion of the assessment collected, the DOR will afford the taxpayer the opportunity to pay any assessment or portion thereof resulting from a field audit.

II. PROCEDURE

The following procedures shall be used when collecting payment from the taxpayer on field audits:

- A. The employee shall advise the taxpayer that it is permissible to pay any liability stemming from a field audit prior to formal billing. The employee shall also advise the taxpayer that the findings are still subject to review and adjustment.
- B. The employee may collect any amount the taxpayer agrees to at the audit site, or the taxpayer may mail the payment to the Taxpayer Service Center where the audit originated. The amount collected shall be based on the known audit liability.
- C. All amounts collected shall be handled pursuant to DOR Standard Procedure 6.11.1, Cash Handling Procedure.
- D. In addition, the Revenue Field Auditors shall complete an Auditor Record of Money Receipt Issued ([Form SP7.611041](#)) (Revenue Form 31A004), upon collection of the audit amount. The purpose of the Auditor Record of Money Receipt Issued form is to provide the taxpayer with a receipt for payments collected and to provide processing information to the Division of Operations regarding the payment.

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1. The form shall only be issued to a taxpayer as a receipt for money collected on an audit.
 2. The Field Auditor or Compliance Officer and the taxpayer-owner or corporate officer shall sign the form and a copy shall be provided to the taxpayer.
 3. The original shall be made part of the audit file and forwarded to the Audit Supervisor or Revenue District Manager at the Taxpayer Service Center from which the audit originated.
 4. The Audit Supervisor or Revenue District Manager shall verify and sign the form before leaving the Taxpayer Service Center from which the audit originated.
- E. Any payment received shall not be held by the Taxpayer Service Center, but immediately forwarded to the Office of Field Operations, Central Office in Frankfort with a properly executed Auditor Record of Money Receipt Issued form. A copy of the audit check shall be placed in the audit folder as well.
- F. When a payment on an audit is collected and remitted to the Office of Field Operations Central Office without the audit folder, a copy of the Report of Audit ([Form SP7.611031](#)) shall be attached to the Auditor Record of Money Receipt Issued form.
- G. The Office of Field Operations, Central Office shall forward the taxpayer's payment, Auditor Record of Money Receipt Issued form, and a copy of the Report of Audit to the Protest Resolution Branch for billing and adjustment.
- H. Once the Division of Operations has completed processing, the information shall be forwarded to the Protest Resolution Branch to allow for proper credit on the billing.
- I. A copy of the Auditor Record of Money Receipt Issued form and the payment shall be retained in the Central Office file for two (2) months, to allow enough time for processing and billing, after which time these copies are shredded.

III. FORMS

[Form SP7.611041](#): Auditor Record of Money Receipt Issued (31A004)

[Form SP7.611031](#): Report of Audit