

Motor Fuels Tax Audit Procedures Manual

Chapter 12 - Audit Write-Up

Audit Examples

AUDIT EXAMPLE A – PENALTY & INTEREST WORKSHEET page 1

AUDIT EXAMPLE A – PENALTY & INTEREST WORKSHEET page 2

AUDIT EXAMPLE A – AUDIT COVER LETTER

AUDIT EXAMPLE A – AUDIT REPORT

AUDIT EXAMPLE A – AUDIT ADJUSTMENT REPORT

AUDIT EXAMPLE A – EXAM 1

AUDIT EXAMPLE A – EXAM 2

AUDIT EXAMPLE A – EXAM 2-A

AUDIT EXAMPLE A – EXAM 2-B page 1

AUDIT EXAMPLE A – EXAM 2-B page 2

AUDIT EXAMPLE A – EXAM 3

AUDIT EXAMPLE A – EXHIBIT I

AUDIT EXAMPLE A – EXHIBIT II

AUDIT EXAMPLE B – PENALTY & INTEREST WAIVER WORKSHEET page 1

AUDIT EXAMPLE B – PENALTY & INTEREST WAIVER WORKSHEET page 2

AUDIT EXAMPLE B – AUDIT COVER LETTER

AUDIT EXAMPLE B – AUDIT REPORT

AUDIT EXAMPLE B – INDEX TOWORKING PAPERS

AUDIT EXAMPLE B – EXAM 1

AUDIT EXAMPLE B – EXAM 2

AUDIT EXAMPLE B – EXAM 3

AUDIT EXAMPLE B – EXAM 3-A

AUDIT EXAMPLE B – EXAM 3-B page 1

AUDIT EXAMPLE B – EXAM 3-B page 2

AUDIT EXAMPLE B – EXHIBIT I

AUDIT EXAMPLE C – “TOTAL GALLONS TO ACCOUNT FOR” SUMMARY

AUDIT EXAMPLE A – PENALTY & INTEREST WORKSHEET page 2

Penalty & Interest Waiver

04/24/2003
17511111118

14. Audit Deficiency Vs. Reported Tax
- | | <u>Current Audit</u> | <u>Prior Audit</u> |
|--------------------------|----------------------|--------------------|
| Assessed Tax (Sales) | \$ 21,779 | 0 |
| Reported Tax (Sales) | 11,450,070 | 0 |
| Assessed Tax (Purchases) | 0 | 0 |
| Reported Tax (Purchases) | 0 | 0 |
| Total of all above | \$ 11,471,849 | 0 |
15. Overall Percentage Rate 0.19% **!Zero Divide**
16. Tax Collected not Remitted: 0
17. Records made available for audit: Complete Incomplete (Specify in Additional Information, #21 below)
18. Taxpayer's tax staff: Tax matters handled by:
- Internal bookkeeper or accountant
 - Proprietor or partner
 - Internal tax/accounting department
 - CPA, outside accountant or lawyer
 - Other (describe)
19. Prior audit:
- Same Staff
 - Different Staff
 - N/A
20. Are there delinquencies in other taxes?
- No
 - Yes (If yes, which tax(es)?)
21. Additional Information: **A major statute change occurred in the audit period.**
22. Recommendation: **Waive penalty, not interest**
23. Reason: **This is the first time this taxpayer has been audited for ths tax type. The taxpayer has exhibited reasonable diligence in complying with the Motor Fuels Tax Statutes.**
24. Audit Office Approval: Yes
- Supervisor name or signature

Yes

Manager name or signature
25. Division Director Approval: Yes: No:
- Deputy Comptroller Approval: Yes: No:
26. RPC sender:
Arlington RPC
-

AUDIT EXAMPLE A – AUDIT COVER LETTER



COMPTROLLER OF PUBLIC ACCOUNTS

P.O. BOX 13528
AUSTIN, TX 78711-3528

John Smith
Tax Manager
Super Fuels
PO Box 1111
Anywhere, TX 78000

RE: Taxpayer Number 17511111118

Dear Mr. Smith:

Our audit, conducted in accordance with the Motor Fuels (Diesel Fuel) Tax Statute, is complete. The audit covered the period June 1, 1999 through December 31, 2002 and resulted in an adjustment in the amount shown on the attached Texas Notification of Audit Results. We have included a pre-addressed envelope for your payment convenience. For an explanation of the interest calculations, contact the Audit Processing Section of the Revenue Refund Division at 1-800-531-5441 extension 3-4479.

We have waived the penalty for periods which were originally filed on time. However, we have not waived interest. Interest waiver is considered only where written, documented proof exists that a taxpayer relied to its detriment on misinformation from the State. If you disagree with our decision, you may request a redetermination hearing by our Legal Services Division.

Audit adjustments are explained on the enclosed Audit Report.

At the exit conference, you were noncommittal with the audit results. You were provided with the brochure "Dispute Resolution Conference" (Form 96-321-T) and advised of your right to meet with a dispute resolution officer. You declined the offer. I also provided you with the brochure "What if I don't agree with the results of my audit?" (Form 96-129) and advised you of the requirements necessary to initiate a formal redetermination hearing.

If you have any questions please contact me in the Audit Headquarters Audit Office at 512/463-3900. Thank you for your cooperation during the audit.

Auditor Jones
Auditor

AUDIT EXAMPLE A – AUDIT REPORT

AUDIT REPORT

Super Fuels
Taxpayer Number 1751111118
June 1, 1999 through December 31, 2002

This report summarizes the adjustments made in the audit.

1. A sample and projection was completed for Exam 2. Adjustments were made for tax-free sales not supported by signed statements. For specifics, refer to the Notification of Sampling Procedures for State Tax Audit for this exam.
 2. A detail examination was completed for Exam 3. Adjustments were made for signed statement sales exceeding the limitations.
-

EXAMPLE A – EXAM 1

SUPER FUELS
 ANYWHERE, TX
 Summary of Audit Results

TP# 1751111118
 Exam 1
 Page 1 of 1

	-1-	-2-	-3-	-4-	-5-	-6-
REPORT PERIOD	DISALLOWED OTHER TAX FREE SALES (Per Exam 2)	SALES EXCEED SIGNED STMT LIMITATIONS (Per Exam 3)	AUDITED ADDITIONAL TAXABLE SALES (Col 1 + Col 2)	HANDLING ALLOWANCE (Col 3 X .02)	ADDITIONAL TAXABLE GALLONS (Col 3 - Col 4)	AUDITED TAX DUE (Col 5 X \$.20)
9906	4,494	7,200	11,694	234	11,460	\$ 2,292.00
9907	4,449	0	4,449	89	4,360	872.00
9908	6,179	3,500	9,679	194	9,485	1,897.00
9909	5,748	4,000	9,748	195	9,553	1,910.60
9910	6,608	0	6,608	132	6,476	1,295.20
9911	5,064	0	5,064	101	4,963	992.60
9912	3,261	0	3,261	65	3,196	639.20
0001	5,172	0	5,172	103	5,069	1,013.80
0002	4,205	0	4,205	84	4,121	824.20
0003	3,742	7,200	10,942	219	10,723	2,144.60
0004	6,495	0	6,495	130	6,365	1,273.00
0005	5,391	0	5,391	108	5,283	1,056.60
0006	5,299	3,450	8,749	175	8,574	1,714.80
0007	6,183	0	6,183	124	6,059	1,211.80
0008	5,826	0	5,826	117	5,709	1,141.80
0009	0	0	0	0	0	-
0010	0	0	0	0	0	-
0011	0	0	0	0	0	-
0012	0	0	0	0	0	-
0101	0	0	0	0	0	-
0102	0	0	0	0	0	-
0103	0	0	0	0	0	-
0104	0	0	0	0	0	-
0105	0	0	0	0	0	-
0106	0	0	0	0	0	-
0107	0	0	0	0	0	-
0108	0	0	0	0	0	-
0109	0	0	0	0	0	-
0110	0	7,500	7,500	0	7,500	1,500.00
0111	0	0	0	0	0	-
0112	0	0	0	0	0	-
0201	0	0	0	0	0	-
0202	0	0	0	0	0	-
0203	0	0	0	0	0	-
0204	0	0	0	0	0	-
0205	0	0	0	0	0	-
0206	0	0	0	0	0	-
0207	0	0	0	0	0	-
0208	0	0	0	0	0	-
0209	0	0	0	0	0	-
0210	0	0	0	0	0	-
0211	0	0	0	0	0	-
0212	0	0	0	0	0	-
TOTAL	78,116	32,850	110,966	2,070	108,896	\$ 21,779.20

NOTE: The handling allowance is not applicable after September 1, 2000.

AUDIT EXAMPLE A – EXAM 2

Super Fuels
Anywhere, TX
Computation of Population Base and Application of Error Factor

TP#17511111118
Exam 2
Page 1 of 1

	-1-	-2-	-3-	-4-	-5-
	REPORTED OTHER TAX FREE SALES	SALES EXCEED SIGNED STMT LIMITATIONS	ADJUSTED POPULATION BASE	ERROR RATE	DISALLOWED OTHER TAX FREE SALES
REPORT PERIOD	(a)	(b)	(c)	(d)	(e)
9906	66,798	7,200	59,598	0.075400	4,494
9907	59,005	0	59,005	0.075400	4,449
9908	85,452	3,500	81,952	0.075400	6,179
9909	80,233	4,000	76,233	0.075400	5,748
9910	87,641	0	87,641	0.075400	6,608
9911	67,166	0	67,166	0.075400	5,064
9912	43,248	0	43,248	0.075400	3,261
0001	68,588	0	68,588	0.075400	5,172
0002	55,770	0	55,770	0.075400	4,205
0003	56,823	7,200	49,623	0.075400	3,742
0004	86,141	0	86,141	0.075400	6,495
0005	71,493	0	71,493	0.075400	5,391
0006	73,731	3,450	70,281	0.075400	5,299
0007	82,007	0	82,007	0.075400	6,183
0008	77,269	0	77,269	0.075400	5,826
	1,061,365	25,350	1,036,015	XXX	78,116

(f)

NOTES:

- (a) Per Reports
- (b) Per Exam 3
- (c) Col 1 less Col 2, to Exam 2-A for the sample periods
- (d) Per Exam 2-A
- (e) Col 3 times Col 4
- (f) Report totals to Exam 1, Summary of Audit Results

OMMENTS:

Amounts represent whole gallons unless otherwise noted.

AUDIT EXAMPLE A – EXAM 2-A

Super Fuels
Anywhere, TX
Computation of Error Rate

TP#1751111118
Exam 2-A
Page 1 of 1

REPORT PERIOD	-1- ADJUSTED SAMPLE BASE (a)	-2- ERRORS (b)	-3- ERROR RATE (c)
9906	59,598		
9908	81,952		
9912	43,248		
0002	55,770		
0003	49,623		
0005	71,493		
	<u>361,684</u>	<u>27,271</u>	<u>0.075400</u>
			(d)

NOTES:

- (a) Per Exam 2
- (b) Per Exam 2-B
- (c) Col 2 divided by Col 1
- (d) To Exam 2

AUDIT EXAMPLE A – EXAM 2-B page 1

Super Fuels
 Anywhere, TX
 Disallowed Signed Statement Sales - Undyed

TP#1751111118
 Exam 2-B
 Page 1 of 2

Date (a)	Customer (a)	Invoice Number (a)	Gallons Purchased (a)	Notes
06/08/1999	Ballard Timber Products	67484	565	
06/08/1999	Tex-La	67486	500	
06/11/1999	John Smith	70844	148	
06/17/1999	Trucking Co	71057	108	(c)
06/21/1999	Cash Sale	67964	225	
06/22/1999	Tex-La	68034	250	
06/23/1999	AADE Inc	68064	100	
06/30/1999	Tex-La	68296	186	
06/30/1999	City of Anywhere	68298	925	
08/03/1999	Ringling Telephone Co	70502	100	
08/03/1999	Loggers R Us	75060	400	
08/04/1999	Trucking Co	70592	112	(c)
08/05/1999	Cash Sale	70623	203	
08/06/1999	Cash Sale	70874	130	
08/07/1999	Trucking Co	70684	100	(c)
08/10/1999	Trucking Co	70771	110	(c)
08/12/1999	Loggers R Us	70868	600	
08/14/1999	Trucking Co	70963	111	(c)
08/23/1999	Construction Co Inc	71483	112	
08/24/1999	Trucking Co	71310	110	(c)
08/26/1999	Trucking Co	71432	107	(c)
08/26/1999	Cash Sale	71449	400	
08/26/1999	Trucking Co	71455	109	(c)
08/27/1999	The Lumber Co	71509	390	
08/29/1999	AADE Inc	71584	175	
08/30/1999	City of Anywhere	71632	731	
12/13/1999	Forest Industries	83862	500	(c)
12/13/1999	County of Somewhere	84154	2,040	
12/19/1999	City of Anywhere	84609	674	
12/20/1999	Rail Service	84205	250	
12/21/1999	Cash Sale	84246	220	
12/27/1999	Cash Sale	84479	120	
12/27/1999	Cash Sale	84488	112	
02/03/2000	Forest Industries	91990	500	
02/10/2000	Trucking Co	92183	171	(c)
02/13/2000	Forest Industries	92303	500	
02/14/2000	Trucking Co	92319	107	(c)
02/17/2000	Trucking Co	92423	414	(c)
02/20/2000	County of Somewhere Pct 2	92494	2,040	
02/27/2000	County of Somewhere Pct 3	92816	200	
02/28/2000	City of Anywhere	92826	537	
03/06/2000	Tom Carter	97548	117	
03/11/2000	County of Somewhere Pct 3	97689	900	
03/12/2000	County of Somewhere Pct 2	97715	1,330	

AUDIT EXAMPLE A – EXAM 2-B page 2

Super Fuels
 Anywhere, TX
 Disallowed Signed Statement Sales - Undyed

TP#17511111118
 Exam 2-B
 Page 2 of 2

Date	Customer	Invoice Number	Gallons Purchased	Notes
(a)	(a)	(a)	(a)	
03/13/2000	Wheeler & Sons	97803	157	
03/17/2000	Wheeler & Sons	97970	178	
03/18/2000	Forest Industries	98001	500	(c)
03/20/2000	Wheeler & Sons	98132	190	
03/22/2000	Tom Carter	98207	512	
03/22/2000	Ralph R	98210	461	
03/24/2000	Wheeler & Sons	98255	861	
03/25/2000	County of Somewhere Pct 3	98293	900	
03/30/2000	City of Anywhere	98505	1,018	
05/09/2000	County of Somewhere Pct 3	98941	900	
05/15/2000	Ralph Sanders	99205	550	
05/23/2000	County of Somewhere	99613	800	
05/31/2000	Norton Farming	99956	1,100	
05/31/2000	City of Anywhere	99966	1,405	
			<u>27,271</u>	
			(b)	

NOTES:

- (a) Per Invoices
- (b) Total to Exam 2-A
- (c) Customer previously paid tax on diesel purchase.

COMMENTS:

Amounts represent whole gallons.

AUDIT EXAMPLE A – EXAM 3

SUPER FUELS
ANYWHERE, TX
Disallowed Tax Free Sales - Exceeding Signed Statement
Limitations - Undyed Diesel

TP#1751111118
Exam 3
Page 1 of 1

DATE	CUSTOMER	INVOICE NUMBER	DISALLOWED GALLONS	REPORT PERIOD
(a)	(a)	(a)	(a)	
06/15/1999	McDonald Farms	71127	7,200	9906
08/24/1999	McDonald Farms	84255	3,500	9908
09/13/1999	Bar G Ranch	84699	4,000	9909
03/21/2000	McDonald Farms	98132	7,200	0003
06/14/2000	Bubba's Backhoe Service	99054	3,450	0006
10/12/2001	Lucky's Excavation	1254	7,500	0110
			<u>32,850</u>	

NOTES:

- (a) Per Invoices
- (b) Report Period Amounts to Exam 2-A and Exam 1

COMMENTS:

Amounts represent whole gallons.
Single deliveries which exceed limitations:
3,000 per delivery through 08/31/01
7,400 per delivery beginning 09/01/01

AUDIT EXAMPLE A – EXHIBIT I

EXHIBIT I

COMPTROLLER OF PUBLIC ACCOUNTS
STATE OF TEXAS

NOTIFICATION OF SAMPLING PROCEDURES FOR STATE TAX AUDIT

Taxpayer Name : Super Fuels
Taxpayer Number : 17511111118
Type of Tax : Motor Fuels Tax (Diesel)
Audit Period : June 1, 1999 through December 31, 2002
Reporting Category : Other Tax Free Sales Subcategory:

1. The records to be examined in performing the sample will include (but are not limited to):
Sales invoices, sales journals, delivery tickets, signed statements for the periods June 1, 1999 through August 31, 2000.
2. The sampling unit will be: Months
3. The method of selecting the units will be: Random, PC program
4. The sample size will be: Six Months
5. If a time period sample is used, the selected periods will be: June 1999, August, 1999, December 1999, February 2000, March 2000, and May 2000
6. The sample base will be: Reported Other Tax Free Sales for the selected sample months
7. The population base will be: Reported Other Tax Free Sales for the June 1, 1999 through August 31, 2000
8. The results of the sample will be applied to the population using the following procedures:
Tax free sales not supported by a valid signed statement, found in the six (6) month sample will be scheduled. An error percentage will be derived by totaling the scheduled invoices and by dividing that total by the reported other tax free sales for the sample months.
This error percent will be applied to reported Other Tax Free Sales for the period June 1, 1999 through August 31, 2000 to arrive at additional taxable sales for these periods.
Any sales in the sample which are disallowed for exceeding the Signed Statement Limitations will be scheduled separately. The sample and populations will be adjusted accordingly.

This notification was hand delivered/mailed on _____ Date: _____

TO: _____ Title: _____

SIGN HERE >

Comptroller's Representative

AUDIT EXAMPLE A – EXHIBIT II

EXHIBIT II

SUPER FUELS

Sample Items Report for Exam

Audit Period : 06/01/1999 - 12/31/2002

TP#: 17511111118

Page: 1

Seed: 7808432

Total Items Requested: 6

<u>Count</u>	<u>Reference</u>	<u>Month</u>	<u>Correlative</u>
Request	1		
1		12/01/1999	7
2		06/01/1999	1
3		05/01/2000	12
4		02/01/2000	9
5		03/01/2000	10
6		08/01/1999	3

AUDIT EXAMPLE B – PENALTY & INTEREST WAIVER WORKSHEET page 2

Penalty & Interest Waiver

04/24/2003
17511223344

14. Audit Deficiency Vs. Reported Tax		<u>Current Audit</u>	<u>Prior Audit</u>
	Assessed Tax (Sales)	\$ 4,416	0
	Reported Tax (Sales)	9,034,500	0
	Assessed Tax (Purchases)	0	0
	Reported Tax (Purchases)	0	0
	Total of all above	\$ 9,038,916	0
15. Overall Percentage Rate		0.05%	!Zero Divide

16. Tax Collected not Remitted: 0
17. Records made available for audit: Complete Incomplete (Specify in Additional Information, #21 below)

18. Taxpayer's tax staff: Tax matters handled by:
- Internal bookkeeper or accountant
 - Proprietor or partner
 - Internal tax/accounting department
 - CPA, outside accountant or lawyer
 - Other (describe)

19. Prior audit:
- Same Staff
 - Different Staff
 - N/A

20. Are there delinquencies in other taxes?
- No
 - Yes (If yes, which tax(es)?)

21. Additional Information:

22. Recommendation: **Waive penalty, assess interest**

23. Reason: **The taxpayer has shown reasonable diligence in complying with the motor fuels statutes. This is the first time that this taxpayer has been audited for this tax type.**

24. Audit Office Approval: Yes Supervisor name or signature

Yes Manager name or signature

25. Division Director Approval: Yes: No:

Deputy Comptroller Approval: Yes: No:

26. RPC sender:
Arlington RPC

AUDIT EXAMPLE B – AUDIT COVER LETTER



COMPTROLLER OF PUBLIC ACCOUNTS

P.O. BOX 13528
AUSTIN, TX 78711-3528

Fuel Supplier
President
Any Fuel Supplier
PO Box 0000
Unknown, TX 75201

RE: Taxpayer Number 17511223344

Dear Mrs Supplier:

Our audit, conducted in accordance with the Motor Fuels (Diesel Fuel) Tax Statute, is complete. The audit covered the period December 1, 1999 through August 31, 2003 and resulted in an adjustment in the amount shown on the attached Texas Notification of Audit Results. We have included a pre-addressed envelope for your payment convenience. For an explanation of the interest calculations, contact the Audit Processing Section of the Revenue Refund Division at 1-800-531-5441 extension 3-4479.

We have waived the penalty for periods which were originally filed on time. However, we have not waived interest. Interest waiver is considered only where written, documented proof exists that a taxpayer relied to its detriment on misinformation from the State. If you disagree with our decision, you may request a redetermination hearing by our Legal Services Division.

Audit adjustments are explained on the enclosed Audit Report.

At the exit conference, you agreed with the audit results. You were provided with the brochure "Dispute Resolution Conference" (Form 96-321-T) and advised of your right to meet with a dispute resolution officer. I also provided you with the brochure "What if I don't agree with the results of my audit?" (Form 96-129) and advised you of the requirements necessary to initiate a formal redetermination hearing.

If you have any questions please contact me in the Dallas East Audit Office at 972/644-4300. Thank you for your cooperation during the audit.

Jane Doe
Auditor

AUDIT EXAMPLE B – AUDIT REPORT

AUDIT REPORT

**Any Fuel Supplier
Taxpayer Number 17511223344
December 1, 1999 through August 31, 2003**

This report summarizes the adjustments made in the audit.

1. A detail examination was completed for Exam 2. Adjustments made for May 2003 were detailed for gallons taxed at net volume but should have been taxed at gross volume.
 2. A sample and projection was completed for Exam 3. Adjustments were made for gallons taxed at net gallons but should have been taxed at gross for the entire audit period excluding May 2003. For specifics, refer to the Notification of Sampling Procedures for State Tax Audit for this exam.
-

AUDIT EXAMPLE B – INDEX TO WORKING PAPERS

Any Fuel Supplier
Unknown, TX
TP # 17511223344

INDEX TO WORKING PAPERS

<u>DESCRIPTION</u>	<u>PAGES</u>
Audit Adjustment Report	1
Tax Adjustment Summary	1
EXAM 1 SUMMARY OF AUDIT RESULTS	1
EXAM 2 Gallons Reported At Net But Should Be Reported At Gross - Detail	2
EXAM 3 Projection of Additional Taxable Gallons/Gallons Reported at Net But Should Be Reported at Gross	1
Exam 3-A - Computation of Sample Base and Error Rate	1
Exam 3-B - Gallons Reported at Net But Should Have Been Reported at Gross/Detail Adjustments	2
Exhibit I Notification of Sampling Procedures for State Tax Audit	1

AUDIT EXAMPLE B – EXAM 1

Any Fuel Supplier
Somewhere, TX
Summary of Audit Results

TP#17511223344
Exam 1
Page 1 of 1

Period	1		2	3	4	5	6
	Gallons Reported At Net But Should Be Reported At Gross		Total Error Gallons	Handling Allowance 2%	Additional Taxable Gallons	Audited Tax Due	
	Detail 0105 Exam 2	Sample Exam 3	(Col 1 + Col 2)	(Col 3 X .02)	(Col 3 - Col 4)	(Col 5 X \$.20)	
9912	-	473	473	9	464	\$ 92.80	
0001	-	344	344	7	337	67.40	
0002	-	358	358	7	351	70.20	
0003	-	350	350	7	343	68.60	
0004	-	517	517	10	507	101.40	
0005	-	416	416	8	408	81.60	
0006	-	393	393	8	385	77.00	
0007	-	586	586	12	574	114.80	
0008	-	540	540	11	529	105.80	
0009	-	487	487	-	487	97.40	
0010	-	518	518	-	518	103.60	
0011	-	418	418	-	418	83.60	
0012	-	450	450	-	450	90.00	
0101	-	434	434	-	434	86.80	
0102	-	362	362	-	362	72.40	
0103	-	458	458	-	458	91.60	
0104	-	530	530	-	530	106.00	
0105	-	472	472	-	472	94.40	
0106	-	467	467	-	467	93.40	
0107	-	386	386	-	386	77.20	
0108	-	495	495	-	495	99.00	
0109	-	477	477	-	477	95.40	
0110	-	508	508	-	508	101.60	
0111	-	433	433	-	433	86.60	
0112	-	577	577	-	577	115.40	
0201	-	539	539	-	539	107.80	
0202	-	583	583	-	583	116.60	
0203	-	627	627	-	627	125.40	
0204	-	539	539	-	539	107.80	
0205	-	405	405	-	405	81.00	
0206	-	477	477	-	477	95.40	
0207	-	418	418	-	418	83.60	
0208	-	394	394	-	394	78.80	
0209	-	524	524	-	524	104.80	
0210	-	624	624	-	624	124.80	
0211	-	450	450	-	450	90.00	
0212	-	500	500	-	500	100.00	
0301	-	553	553	-	553	110.60	
0302	-	508	508	-	508	101.60	
0303	-	549	549	-	549	109.80	
0304	-	594	594	-	594	118.80	
0305	820	-	820	-	820	164.00	
0306	-	527	527	-	527	105.40	
0307	-	543	543	-	543	108.60	
0308	-	535	535	-	535	107.00	
TOTAL	820	21,338	22,158	79	22,079	\$ 4,415.80	

Note: The 2% Handling Allowance is not applied to audit liabilities after 09/01/2000.

AUDIT EXAMPLE B – EXAM 2

Any Fuel Supplier
Somewhere, TX
Gallons Reported at Net But Should Be Reported at Gross

TP#17511223344
Exam 2
Page 1 of 1

Report Period	Customer Name (a)	Invoice Number (a)	Invoice Date (a)	Manifest Number (a)	1	2	3	
					Gallons Gross (a)	Net (a)	Variance (b)	
0305	Cust.1	12569	05/01/2003	164256	6,905	6,860	45	
0305	Cust.1	12568	05/01/2003	16541	1,296	1,288	8	
0305	Cust.1	12570	05/02/2003	23540	6,918	6,890	28	
0305	Cust.2	12571	05/04/2003	94213	6,015	5,993	22	
0305	Cust.2	12572	05/04/2003	653312	1,490	1,480	10	
0305	Cust.2	12573	05/05/2003	251642	6,908	6,882	26	
0305	Cust.3	12574	05/08/2003	253153	6,912	6,885	27	
0305	Cust.3	12575	05/11/2003	612356	6,907	6,879	28	
0305	Cust.3	12576	05/11/2003	321641	6,912	6,879	33	
0305	Cust.4	12577	05/12/2003	354681	890	884	6	
0305	Cust.4	12578	05/15/2003	21654	6,923	6,874	49	
0305	Cust.5	12579	05/17/2003	132164	5,467	5,410	57	
0305	Cust.5	12580	05/17/2003	103560	6,914	6,859	55	
0305	Cust.5	12581	05/18/2003	54514	5,019	4,997	22	
0305	Cust.6	12582	05/22/2003	165412	890	888	2	
0305	Cust.6	12583	05/23/2003	165322	6,913	6,859	54	
0305	Cust.7	12584	05/24/2003	654321	6,910	6,838	72	
0305	Cust.8	12585	05/28/2003	1813	6,905	6,850	55	
0305	Cust.8	12586	05/29/2003	65315	6,905	6,845	60	
0305	Cust.8	12587	05/30/2003	164231	6,015	5,963	52	
0305	Cust.9	12588	05/31/2003	134881	6,905	6,844	61	
0305	Cust.10	12589	05/31/2003	165469	893	887	6	
0305	Cust.11	12590	05/31/2003	531685	5,419	5,377	42	
							820	

(c)

May 2003 taken out of the population and sample bases and detailed; outside +/- 2 standard deviations.

Notes:

- (a) Per original invoices/terminal manifests.
- (b) Col 1 less Col 2
- (c) Total for Col C. was forwarded to Exam 1 - Summary of Audit Adjustments.

AUDIT EXAMPLE B – EXAM 3

Any Fuel Supplier
 Somewhere, TX
 Projection of Additional Taxable Gallons
 Gallons Reported at Net But Should Be Reported at Gross

TP#17511223344
 Exam 3
 Page 1 of 1

Report Period	1 Reported Taxable Gallons (a)	2 Error Rate (b)	3 Projected Taxable Gallons (c)
9912	126,755	0.003735	473
0001	92,071	0.003735	344
0002	95,752	0.003735	358
0003	93,647	0.003735	350
0004	138,512	0.003735	517
0005	111,276	0.003735	416
0006	105,238	0.003735	393
0007	156,984	0.003735	586
0008	144,683	0.003735	540
0009	130,483	0.003735	487
0010	138,659	0.003735	518
0011	111,991	0.003735	418
0012	120,363	0.003735	450
0101	116,178	0.003735	434
0102	96,963	0.003735	362
0103	122,629	0.003735	458
0104	141,963	0.003735	530
0105	126,306	0.003735	472
0106	125,115	0.003735	467
0107	103,332	0.003735	386
0108	132,578	0.003735	495
0109	127,774	0.003735	477
0110	135,948	0.003735	508
0111	115,841	0.003735	433
0112	154,383	0.003735	577
0201	144,389	0.003735	539
0202	156,100	0.003735	583
0203	167,809	0.003735	627
0204	144,414	0.003735	539
0205	108,412	0.003735	405
0206	127,585	0.003735	477
0207	111,787	0.003735	418
0208	105,378	0.003735	394
0209	140,274	0.003735	524
0210	167,136	0.003735	624
0211	120,515	0.003735	450
0212	133,844	0.003735	500
0301	147,979	0.003735	553
0302	136,005	0.003735	508
0303	147,029	0.003735	549
0304	159,125	0.003735	594
0306	141,105	0.003735	527
0307	145,293	0.003735	543
0308	143,202	0.003735	535
	<u>5,712,805</u>	<u>XXX</u>	<u>21,338</u>

(d)

Notes:

- (a) Reported Amounts
- (b) Per Exam 3A - Computation of Sample Base and Error Rate
- (c) Col 1 multiplied by Col 2
- (d). Projected taxable gallons forwarded to Exam 1 - Summary of Audit Results

AUDIT EXAMPLE B – EXAM 3-A

Any Fuel Supplier
Somewhere, TX
Computation of Sample Base and Error Rate
Gallons Reported at Net But Should Be Reported at Gross

TP#17511223344
Exam 3-A
Page 1 of 1

Sample Months	-1- Reported Taxable Sales (a)	-2- Sample Error (b)	-3- Error Rate (c)
0012	120,363	112	
0206	127,585	998	
0105	126,306	778	
0302	136,005	186	
0203	167,809	504	
0009	130,483	442	
Total Error Gallons	808,551	3,020	0.003735 (d)

Notes:

- (a) Reported Amounts
- (b) Per Exam 3-B
- (c) Col 2 divided by Col 1
- (d) Error Rate forwarded to Exam 3

AUDIT EXAMPLE B – EXAM 3-B page 1

Any Fuel Supplier
 Somewhere, TX
 Gallons Reported at Net But Should Have Been Reported at Gross

TP#17511223344
 Exam 3-B
 Page 1 of 2

Report Period	Customer Name (a)	Invoice Number (a)	Invoice Date (a)	Manifest Number (a)	1		3
					Gross (a)	Net (a)	
0012	Cust.1	2337	12/01/1998	66153	5420	5397	23
0012	Cust.2	2351	12/02/1998	66159	6926	6904	22
0012	Cust.2	2361	12/04/1998	66186	6933	6907	26
0012	Cust.2	2373	12/11/1998	73432	6501	6501	-
0012	Cust.5	2377	12/14/1998	73978	6915	6915	-
0012	Cust.6	2375	12/15/1998	66271	5462	5439	23
0012	Cust.7	2403	12/26/1998	76401	6915	6915	-
0012	Cust.8	2420	12/31/1998	66450	5660	5635	25
0012	Cust.9	2329	12/07/1998	72220	6905	6866	39
0012 Total							158
0206	Cust. 1	11118	06/01/2000	40326	6910	6841	69
0206	Cust. 1	11139	06/02/2000	40727	6905	6834	71
0206	Cust. 1	11151	06/05/2000	41365	6905	6838	67
0206	Cust. 3	11160	06/08/2000	42374	6861	6793	68
0206	Cust. 4	11161	06/08/2000	42419	6900	6837	63
0206	Cust. 5	11176	06/12/2000	43364	6890	6821	69
0206	Cust. 6	11196	06/15/2000	44335	6915	6848	67
0206	Cust. 7	11143	06/16/2000	44727	5010	4958	52
0206	Cust. 1	11145	06/19/2000	45509	6914	6842	72
0206	Cust.1	11220	06/22/2000	46619	6915	6842	73
0206	Cust.1	11221	06/22/2000	46657	6905	6833	72
0206	Cust.2	11226	06/26/2000	47687	6899	6821	78
0206	Cust.3	11237	06/28/2000	48287	6906	6841	65
0206	Cust.4	11446	06/29/2000	48664	6020	5964	56
0206	Cust.5	11445	06/30/2000	48992	6024	5968	56
0206 Total							998
0105	Cust.1	20078	05/01/2001	53021	6,905	6,860	45
0105	Cust.1	20079	05/01/2001	52966	1,296	1,288	8
0105	Cust.2	20084	05/02/2001	53568	6,918	6,890	28
0105	Cust.2	20101	05/04/2001	53888	6,015	5,993	22
0105	Cust.3	20138	05/04/2001	53960	1,490	1,480	10
0105	Cust.3	20104	05/05/2001	54812	6,908	6,882	26
0105	Cust.4	20106	05/08/2001	55221	6,912	6,885	27
0105	Cust.4	20125	05/11/2001	56290	6,907	6,879	28
0105	Cust.5	20126	05/11/2001	56301	6,912	6,879	33
0105	Cust.5	20132	05/12/2001	56628	890	884	6
0105	Cust.5	20148	05/15/2001	57498	6,923	6,874	49
0105	Cust.6	20637	05/17/2001	41383	5,467	5,410	57
0105	Cust.7	20638	05/17/2001	57854	6,914	6,859	55
0105	Cust.9	20811	05/18/2001	58490	5,019	4,997	22
0105	Cust.10	20819	05/22/2001	59645	890	888	2
0105	Cust.11	20677	05/23/2001	60001	6,913	6,859	54
0105	Cust.12	20692	05/24/2001	60770	6,910	6,838	72
0105	Cust.13	20676	05/28/2001	59993	6,905	6,850	55
0105	Cust.14	20826	05/29/2001	62160	6,905	6,845	60
0105	Cust.15	20684	05/30/2001	62464	6,015	5,963	52
0105	Cust.16	20130	05/31/2001	62850	6,905	6,844	61
0105	Cust.17	20131	05/31/2001	62905	893	887	6
0105 total							778
0302	Cust.5	11518	02/01/2001	25217	6912	6912	-
0302	Cust.1	11519	02/02/2001	25562	1480	1479	1
0302	Cust.3	11515	02/02/2001	25604	6905	6904	1
0302	Cust.8	11506	02/07/2001	27249	6905	6890	15
0302	Cust.9	11505	02/07/2001	27301	6905	6887	18

AUDIT EXAMPLE B – EXAM 3-B page 2

Any Fuel Supplier
Somewhere, TX
Gallons Reported at Net But Should Have Been Reported at Gross

TP#17511223344
Exam 3-B
Page 2 of 2

Report Period	Customer Name	Invoice Number	Invoice Date	Manifest Number	1		2	3
					Gross	Net	Variance	
	(a)	(a)	(a)	(a)	(a)	(a)	(b)	(b)
0302	Cust.8	11496	02/07/2001	27344	6905	6888		17
0302	Cust.5	11498	02/09/2001	27913	6904	6893		11
0302	Cust.1	11872	02/14/2001	29370	6914	6900		14
0302	Cust.1	11478	02/15/2001	29656	6905	6890		15
0302	Cust.1	11473	02/19/2001	30902	6905	6893		12
0302	Cust.2	11501	02/13/2001	29012	1480	1460		20
0302	Cust.2	11452	02/20/2001	31236	6907	6900		7
0302	Cust.3	11453	02/21/2001	31683	6905	6889		16
0302	Cust.4	11772	02/26/2001	33189	1490	1478		12
0302	Cust.6	11763	02/26/2001	33235	6905	6905		-
0302	Cust.8	11961	02/27/2001	33558	3930	3900		30
0302 Total								<u>189</u>
0203	Cust.5	10273	03/01/2000	12316	6904	6874		30
0203	Cust.6	10303	03/03/2000	13044	6905	6877		28
0203	Cust.9	10308	03/04/2000	13292	6539	6520		19
0203	Cust.1	10311	03/07/2000	14130	6916	6882		34
0203	Cust.1	10334	03/10/2000	15261	6905	6872		33
0203	Cust.1	10359	03/13/2000	15975	6910	6878		32
0203	Cust.3	10346	03/16/2000	16034	6905	6873		32
0203	Cust.4	10352	03/17/2000	17171	3530	3518		12
0203	Cust.5	10355	03/20/2000	17856	6915	6887		28
0203	Cust.6	10385	03/22/2000	18576	6910	6881		29
0203	Cust.7	10307	03/22/2000	18623	6880	6849		31
0203	Cust.1	10435	03/24/2000	19309	2645	2630		15
0203	Cust.1	10403	03/24/2000	19386	6910	6867		43
0203	Cust.1	10451	03/27/2000	20092	3525	3505		20
0203	Cust.2	10414	03/28/2000	20458	6905	6862		43
0203	Cust.3	10426	03/30/2000	21021	6905	6873		32
0203	Cust.4	10427	03/31/2000	21092	6908	6876		32
0203	Cust.5	10430	03/31/2000	21271	2640	2629		11
0203 Total								<u>504</u>
0009	Cust.1	2193	09/03/1998	64339	6912	6856		56
0009	Cust.1	2545	09/05/1998	64907	6941	6898		43
0009	Cust.1	2257	09/13/1998	66998	6914	6866		48
0009	Cust.2	2258	09/13/1998	67044	3359	3327		32
0009	Cust.2	2260	09/17/1998	62599	5611	5576		35
0009	Cust.3	2274	09/18/1998	68111	6636	6597		39
0009	Cust.4	2279	09/20/1998	56958	6900	6875		25
0009	Cust.4	2191	09/03/1998	800076	6906	6879		27
0009	Cust.5	2197	09/05/1998	52839	5500	5450		50
0009	Cust.5	2281	09/07/1998	319192	3470	3456		14
0009	Cust.6	2286	09/25/1998	254834	4230	4190		40
0009	Cust.6	2195	09/03/1998	65991	5429	5404		25
0009	Cust.8	2283	09/23/1998	66127	6025	6017		8
0009 Total								<u>442</u>
Grand Total								<u><u>3,069</u></u>

(c)

- Notes:
- (a) Per original invoices/terminal manifests.
 - (b) Col 1 less Col 2
 - (c) Sub-totals for Col 3 were forwarded to Exam 3-A

AUDIT EXAMPLE B – EXHIBIT I

EXHIBIT I

COMPTROLLER OF PUBLIC ACCOUNTS
STATE OF TEXAS

NOTIFICATION OF SAMPLING PROCEDURES FOR STATE TAX AUDIT

Taxpayer Name : Any Fuel Supplier.
Taxpayer Number : 17511223344
Type of Tax : Motor Fuels (Diesel Fuel) Tax
Audit Period : December 1, 1999 through August 31, 2003
Reporting Category : Taxable Sales Subcategory: Net or Gross

1. The records to be examined in performing the sample will include (but are not limited to): Sales invoices, sales journal, bills of lading, manifests, purchase invoices, and any additional documentation necessary to complete the sample.
2. The sampling unit will be: Months.
3. The method of selecting the units will be: Judgemental due to seasonal fluctuations
4. The sample size will be: Six months.
5. If a time period sample is used, the selected periods will be: December 2000, June 2002, May 2001, February 2003, March 2002, and September 2000.
6. The sample base will be: The total of reported taxable invoices for the periods listed in #5.
7. The population base will be: The total of all reported taxable invoices for the periods December 1, 1999 through April 30, 2003 and June 1, 2003 through August 31, 2003.
8. The results of the sample will be applied to the population using the following procedures: The total gallon value of the errors revealed by the sample will be divided by the total gallon value of the six months in the sample to obtain a percent of error. This percent of error will be multiplied by audited taxable gallons sold in each report period to determine the additional gallons subject to state excise tax.

This notification was hand delivered: Date: October 12, 2003

TO: Mrs. Fuel Supplier Title: President

SIGN HERE >

Comptroller's Representative

AUDIT EXAMPLE C – “TOTAL GALLONS TO ACCOUNT FOR” SUMMARY

AUDIT EXAMPLE C

TP# 1741122233
EXAM 1
Page 1 of 1

Gasoline Distributor
Wharves, TX
Summary of Audit Results

REPORT PERIOD	-1-		-2-		-3-		-4-		-5-		-6-		-7-		-8-		-9-		-10-		-11-		-12-		-13-
	AUDITED BEG INVT	AUDITED TAX-FREE PURCHASES	AUDITED TAX-PAID PURCHASES	AUD GAINS/LOSSES	MINUS: AUDITED INVT	TOTAL AVAILABLE GALLONS	MINUS: AUDITED TAX FREE SALES/USES	MINUS: REPORTED TAXABLE GALLONS	MINUS: AUDITED TAX-PAID PURCHASES	AUDITED ADDITIONAL TAXABLE GALLONS	LESS: 2% HAND. ALLOW.	ADDITIONAL TAXABLE GALLONS	AUDITED TAX DUE												
9907	10,413	34,160	0	471	7,494	37,550	13,299	17,135	0	5,116	102	5,014	1,002.80												
9908	7,494	63,303	0	734	12,459	61,072	10,138	33,876	0	17,058	341	16,717	3,343.40												
9909	12,459	70,871	0	558	9,309	74,579	34,086	29,328	0	10,965	219	10,746	2,149.20												
9910	9,309	27,082	7,250	140	12,411	31,370	6,052	15,815	7,200	2,303	46	2,257	451.40												
9911	12,411	36,469	0	(50)	9,941	38,889	9,221	27,901	0	1,767	35	1,732	346.40												
9912	9,941	54,367	0	(213)	7,454	56,641	23,623	29,037	0	1,981	40	1,941	388.20												
0001	7,454	77,621	0	(181)	8,428	76,466	53,611	18,945	0	3,910	78	3,832	766.40												
0002	8,428	67,421	0	117	9,483	66,483	23,442	36,588	0	6,453	129	6,324	1,264.80												
0003	9,483	40,768	0	154	5,119	45,286	5,297	39,745	0	244	5	239	47.80												
0004	5,119	61,402	7,415	388	10,299	64,025	11,263	42,527	7,400	2,835	57	2,778	555.60												
0005	10,299	104,710	0	880	10,880	105,009	21,821	76,530	0	6,658	133	6,525	1,303.00												
0006	10,880	74,065	0	870	7,463	78,352	5,738	70,875	0	1,739	35	1,704	340.80												
0007	7,463	110,627	0	1,363	16,046	103,407	22,239	74,255	0	6,913	138	6,775	1,355.00												
0008	16,046	68,033	0	779	7,775	77,083	21,961	52,662	0	2,460	49	2,411	482.20												
0009	7,775	60,351	0	309	7,180	61,255	24,282	36,332	0	621	0	621	124.20												
0010	7,180	48,120	0	166	10,758	44,708	17,258	30,966	0	(3,516)	0	(3,516)	(703.20)												
0011	10,758	44,291	0	(9)	10,474	44,566	17,737	29,492	0	(2,663)	0	(2,663)	(532.60)												
0012	10,474	35,925	0	(117)	4,903	41,379	29,268	9,329	0	2,782	0	2,782	556.40												
TOTAL	173,386	1,081,586	14,665	6,359	167,876	1,108,120	354,336	671,538	14,600	67,626	1,407	66,219	\$ 13,243.80												

- NOTES:
- (a) Per Exam 2
 - (b) Per Exam 3
 - (c) Per Exam 4
 - (d) Per Exam 5
 - (e) Reported Amounts
 - (f) Per Exam 6
 - (g) Col 10 times 2% for periods prior to September 1, 2000
 - (h) Col 10 less Col 11
 - (i) Col 12 times tax rate of \$.20 per gallon

COMMENTS:
Amounts represent whole gallons unless otherwise noted.