
LMSB Examination Plan

Case Name	Years
City	State
Industry	
Territory Manager (<i>CIC Only</i>)	
Team Manager	Date
Approved by	Date
Title	Date copy provided to taxpayer

Case	Years
------	-------

Attachment to Form 4764
Formal Opening Conference with Taxpayer
(IC OPTIONAL)

Date of Formal Opening Conference with Taxpayer:

1. Publication 1 - Your Rights as a Taxpayer, Notice 609 - Privacy Act
2. Years - This will be a _____-year examination cycle. We will be auditing the years ended, _____ and _____.
3. Propose starting and closing dates for the examination.
4. Discuss the following:
 - a. Rollovers
 - b. LMSB Joint Audit Planning Process and taxpayer's involvement
 - c. One-Stop Service
 - d. Service's efforts to achieve currency
 - e. Review of the tax returns for officers, key corporate executives and controlling shareholders
 - f. Statute extension policy and taxpayer's rights
 - g. General discussion of specialist involvement
 - h. LIFE Process and possibility of using LIFE
 - i. LMSB Rules of Engagement

5. Facilities -
 - a. Location of business office where IRS personnel will be conducting examination.
 - b. Hours of access - normal working hours _____ to _____. There are people in office from _____ to _____.
 - c. Workspace will be needed for at least _____ individuals.
 - d. Contact points and procedures - information document request (IDR's), consents to extend the statute of limitations, whom to discuss issues with, security, and Computer Audit Specialist contact personnel.
 - e. Electrical outlets (*probably minimum of _____*).
 - f. Telephone/LEXIS (*_____ phone lines, if possible, data and voice*).
 Will the phone lines be analog or digital?
 Will there be a straight outside line?
 - g. Availability of copier for making copies.
 - h. Fax machine access.
 - i. Space for filing cabinet.
 - j. Locks/Security (*Who will have keys to the IRS office?*).
 - k. Are permanent badges or other ID required?
 - l. Are sign in and/or sign out procedures required?
 - m. Initial interview is scheduled for:
 Date & Time: _____
 - n. Discuss revision procedures regarding Sec. 6662 disclosure

Case	Years
------	-------

Attachment to Form 4764
Formal Opening Conference with Taxpayer
(IC OPTIONAL)

6. We would like to conduct the examination through the computer as much as possible. We will discuss needs and procedures in this area. I envision that we will be able to download general ledger and all detail records to databases to utilize during the planning phase of the examination.
7. Taxpayer must comply with the record retention limitation agreement (Rev. Proc. 98-25). Taxpayer must maintain books and records by using electronic storage system that either images their paper books and/or transfers their computerized books and records to an electronic storage media.
8. Location and availability of controlled foreign corporation records.
9. Arrange for the review of all necessary work papers, reports, corporate minutes and other pertinent records.
10. Information Document Requests - Form 4564 will be utilized to request information. Discuss provisions of the IDR Management Process. A response by the taxpayer within _____ days will expedite the completion of the examination.
11. Provide alternative contact person in case the primary contact is gone for more than one week. Notify audit team when there are periods where the taxpayer may be unable to respond to IDRs and other requests by the team.
12. Issues - Form 5701, Notice of Proposed Adjustment will be used for all issues raised. A response by the taxpayer within _____ days will expedite the completion of the examination.
13. Technical Advice - Any need for Technical Advice should be made as soon as possible so the closing is not delayed.
14. Claims - Any informal or formal claim covering these years should be given directly to the Team Coordinator as soon as possible. If any are sent to the Service Center we need to know, they will be associated with the open examination. Failure to make the audit team aware of claims may delay closing the examination.
15. Regular Meetings - The Team Manager will be available and progress meetings will be scheduled as necessary.
16. Discuss Communication Agreement. Communication agreement must identify individuals in the taxpayer's organization who are authorized to provide and receive information, who may discuss tax matters and those to whom adjustments may be proposed. A written authorization must be secured and signed by the responsible officer, IRC 6103.
17. Issue Mandatory Tax Shelter IDR.
18. Issue Mandatory Cross Border Transactions IDR if Form 5471 or 5472 is present. If not, ask the taxpayer if they had any Cross Border Transactions with any entity in which they had an economic interest. If the answer is yes, issue the IDR.
19. Discussion of Issue Management Process and Industry Focus Compliance (Tier Issues)
20. Resolution of issues at the lowest level using issue resolution tools:
 - a) Application of Appeals Settlement to LMSB Taxpayers (D.O. 236 in force (D.O. 4-24)
 - b) Settlement Authority for Coordinated Issues (D.O. 4-25)
 - c) Advanced Pricing Agreements (Rev. Proc. 2006-9)
 - d) Early Referral to Appeals (Rev. Proc. 99-28)
 - e) LMSB Fast-Track Process (Form 4539)
 - f) Accelerated Issue Resolution (Rev. Proc. 94-67)

Part I - Taxpayer Information Section	Case	Years
--	------	-------

8. Other Pertinent Agreements

(Examples include: agreement to confirm implementation of agreements made in prior post examination critiques; agreement to furnish carryover adjustment schedule upon completion of examination; agreement that issues will be raised, discussed, and resolved as the examination progresses; agreement that the taxpayer will prepare the protest to identified unagreed issues during the course of the examination; and agreement to identify requests for technical advice early in the examination.)

All requests for information will be submitted in writing. See page 7 for additional information. Periodic status meetings (at least monthly for the Team Coordinator and the Taxpayer's primary contact person) will be held between corporate tax personnel and the IRS audit team to discuss information responses and the general progress of the audit.

Issues will be proposed in writing, as the audit progresses and efforts will be made to resolve them as they are developed. The taxpayer will respond to these issues as they occur.

The Taxpayer will prepare, to the extent possible, its protest during the course of the examination.

Errors found in the return and issues that the Taxpayer desires to have consideration given to during the audit will be provided by the taxpayer as they are discovered/developed. Both the Service and the taxpayer agree that requests for technical advice and changes of accounting will be submitted as early in the examination as possible.

During this examination, adjustments may be recommended to your income tax liability causing an economic double taxation as a result of your various affiliates operating in foreign countries. Therefore, we suggest you advise your foreign affiliates in these countries to notify the appropriate taxing authorities about postponing the expiration of the statutory period of limitations on refunds or other tax adjustments. This procedure should not be limited to those foreign affiliates listed on this portion of the examination plan. In the event these adjustments affect the tax liability of an affiliate operating in a treaty country, you have the right to request competent authority consideration for relief from economic double taxation under Revenue Code 96-13 (*Note: Revenue Procedure 96-13 has been superseded by Revenue Procedure 2002-52*)

The taxpayer will brief the audit team on emergency evacuation procedures and ensure that any changes in these procedures are communicated to the team.

Issuance of an information document request constitutes notice of the commencement of the 15-day period in Section 3.01(2) of Revenue Procedure 94-69 to make adequate disclosure for purposes of the waiver of the Section 6662 penalty (*CIC only*).

This is a guide for the examination. It is subject to revision as progress indicates the need for more, less, or different work than originally planned. The individuals identified in the Communications Agreement are authorized to either provide IRS with records or enter into preliminary and final discussions with IRS relative to issues or other items of interest.

Date copy to taxpayer	Name, title and signature of corporate officer
Date	Signature of team manager

Part II - Service Management Information Section Audit Plan	Case	Years
--	------	-------

1. Information regarding taxpayer (IC Optional)

(a) Include information that would be helpful to team members such as; a brief description of organizational structure (*organizational chart may be beneficial*); summary of organizational acquisitions, mergers, or liquidations; accounting and internal control systems; and historical information regarding taxpayer.

(b) Titles and frequency of reports to regulatory agencies. Public or other source of information (*IC Optional*)

Part II - Service Management Information Section	Case	Years
---	------	-------

2. Instructions to Team Members (IC Optional)

(a) Procedures for the preparation of workpapers (size, indexing, heading, etc. and use of SAIN [(Chapter 800 of IRM 4.46.7.3.2.2(1))]

- a. Standard for workpapers (size, etc.)
- b. Indexing of workpapers and final report. This will include the use of the SAIN method of indexing workpapers;
- c. Maintaining a folder of summary topics and related background material to be used in preparation for the post examination critique;
- d. Prepare Form 9984.

Size: Use standard sized government issued writing paper (8½ x 11), 7-column accounting paper (8½ x 11), and any copies provided by the taxpayer regardless of size.

Indexing: All members of the team will follow the SAIN workpaper index numbering system.

Computers: The workpapers will be completed on personal computers to the extent possible. The workpapers should be completed from the taxpayer's data bases or spreadsheets to the maximum extent possible to reduce the amount of manual entry.

Headings: Each workpaper will be prepared as follows:

(1) Upper left hand corner

Primary Case	Year(s) to Audit
Entity	Team Member
Account	Date Prepared
SAIN No.	Page No.

Lead Sheet: The "top sheet" of each standard index number segment should summarize the conclusion, state the amount of the proposed adjustment, and list the workpapers page number where the detailed calculation is made.

Back up data: The files that are completed and maintained on the individual computers should be backed up to disks for retention along with the current cycle workpapers. These files will be useful for subsequent examinations as well as for backup. The disk name is essential for identifying the file for future use.

Copies: The copying of taxpayer records should be done to the maximum extent possible because this is the most efficient method and the best source of documentation as to the facts involved. Information should not be duplicated just for the sake of uniformity.

- b. Procedures for the preparation and submission of regular and feeder Status Reports, where applicable.

ERCS System Time Analysis and IMS may be used to consolidate the time for team members at month end, when needed. The month or quarter is deemed to end on the same day as the Form 4502 cutoff date for the month or last month of each quarter.

Part II - Service Management Information Section	Case	Years
---	------	-------

2. Instructions to Team Members (*Cont'd*) (*IC optional*)

- (c) Procedures for the preparation and submission of reports by team members. Maintenance of folders containing summaries of topics to be used in preparing post examination critiques.

All issues that a Team Member proposes will be written up in a fashion suitable for inclusion in the RAR.

Team members will propose all adjustments on Form 5701 and Team Coordinator will log them on the Proposed Issue Log.

All issues will be in machine sensible form so that they can be easily incorporated into the final report.

Risk analysis will be determined at various times in the course of the examination.

-
- (d) Procedures for requesting information from taxpayers (*orally, in writing, through Team Manager or Team Coordinator; follow up action required of team member*). Use of Form 5699, Information Document Request Log, and Form 5700, Issue Control Log.

All requests are to be made on Form 4564 and logged in on Form 5699 (*or similar computer sheet or RGS*); one copy to Taxpayer, one copy to the SAIN folder, and one copy to IDR Log Binder. Request numbers will be controlled by the Team Coordinator. All requests shall go to the Team Coordinator for his review before issuance to the Taxpayer.

The Team Manager or Team Coordinator will hold periodic meetings with appropriate taxpayer personnel to discuss the status of the audit and to provide follow-up action on requests that have not been answered in a reasonable amount of time. The Team Coordinator and certain members will be in attendance at these status meetings, as required.

-
- (e) Procedures for requesting conferences with taxpayer (*orally, in writing, through team manager or team coordinator; follow up action required of team member*)

The Team Coordinator will have periodic status meetings with the main contact person for the Taxpayer. When additional conferences are necessary, the Team Coordinator will request these conferences orally. If the Team Member wishes to have a conference with the main contact person then a request will be made through the Team Coordinator. Then the Team Coordinator will make this oral request. If the Team Coordinator is unable to have the requested conference through an oral request, a written request will be made to the main contact person.

Part II - Service Management Information Section	Case	Years
---	------	-------

3. Information for Team Members (IC Optional)

(a) Brief outline of Team Manager's planned activity in directing and controlling the examination (*such as keeping in contact with specialists and managers, approval of changes in examination procedures, reviewing work in process and any planned meetings, arranging for on-line and on-site reviews, and planning for on-site visits. IRM 4.46.3.5.2.2.3*).

1. Arrange and coordinate the specialists' activities.
2. Arrange dates for tours of taxpayer's facilities.
3. Schedule examinations for off-site activities, as needed.
4. Be present when unagreed issues are discussed.
5. Gather information to be used in the Post Examination Critique, when applicable.
6. Control the issuance and receipt of certain request areas sensitive in nature, i.e. affidavits, management letters, internal audit reports, summons, etc.
7. Monitor time and closing dates closely, and strive to achieve the goals of the audit plan.

(b) Brief outline of the responsibilities, authority, and activities of the team coordinator

1. Maintain the historical file.
2. Review prior RAR carry over adjustment.
3. Review specialists' audit plans.
4. Assist Team Manager in preparation of the Examination Plan.
5. Gather information for monitoring reports and submit to Team Manager.
6. Coordinate requests from Team Members and review all proposed adjustments.
7. Prepare the RAR.
8. Coordinate the day-to-day operations of the case.
9. Development of examination procedure, raising of issues, and preparation of the report.

Part II - Service Management Information Section	Case	Years
---	------	-------

3. Information for Team Members (Cont'd) (IC Optional)

(c) Industry practices and issues common to this type, including information provided by the Technical Advisors and any Tier issues.

(d) Outline of compliance checks, procedures, and special techniques to be used.

1. Examine internal audit reports.
2. Verify that major officers are filing returns.
3. Review management letters from CPA firm and responses thereto, where applicable.
4. Required filing checks
5. Mandatory Review Items Waiver Checksheets available in LIFE and Remote Examinations.
6. Filing verification, assess audit potential, determine returns not filed for:
 - a) required filings
 - b) prior and subsequent returns
 - c) related returns
 - d) see mandatory Audit Step Tools

Instructions

Examiner's are encouraged to include copies of minutes, IDRs, IDR responses, etc. to provide the information needed to complete items within this document and avoid duplication of effort.

Prepare Form 4764-A for each team member.

Prepare Form 4764-B for each examination area.

Prioritize issues and prepare risk analysis.