

# Sample Proposed Agreed Upon Procedures

Shell PAUP R. 5/2011

**Proposed Agreed Upon Procedures**

**Taxpayer Name:**

**Taxpayer FEI Number:**

**Audit Period:**

**DOR Audit Number:**

**Date Submitted (please change date for each revision):**

*The Shell document is a starting point to assist you. This Shell PAUP must be customized to fit your client's business, books and records.)*

*The Department of Revenue (the "Department") and the Qualified Practitioner agree to these procedures for the performance of the Certified Audit. The term Certified Audit shall mean an Agreed Upon Procedures Engagement as established by the American Institute of Certified Public Accountants*

Within the scope of this document, the following terms will be defined as follows:

Audit is defined to mean the performance of the Agreed Upon Procedures developed for the performance of a Florida sales and use tax certified audit as defined in Florida Statute, 213.285;

SAP is an acronym for the planning document titled *Certified Audit Standard Audit Program* which is required by Florida Administrative Code 12-25.047 Development of Agreed Upon Procedures;

Agreed Upon Procedures ("AUP") are the procedures which were originally submitted to the Florida Department of Revenue as Proposed Agreed Upon Procedures ("PAUP")

The Certified Audit Report is a document that is required to be submitted with each certified audit, Florida Administrative Code 12-25.048

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*Signature of the Department of Revenue's Certified Audit Program Manager*

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*Date*

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*Signature of Qualified Practitioner*

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*Date*

<b><u>General Procedures:</u></b>		<b>Initials &amp; Date</b>	<b>Work Paper Reference</b>
1.	A. All planning work required by Rule 12-25, F.A.C., and applicable Statements on Standards for Attestation Engagements, <i>Agreed Upon Procedures Engagements</i> , as established by the American Institute of Certified Public Accountants was completed.	_____	_____
	B. The completion of the planning work has been properly documented in accordance with SSAE.	_____	_____
	C. All planning work identified in step 1.A. was provided to the Department with the Proposed Agreed Upon Procedures (“PAUP”).	_____	_____
2.	A. The Agreed Upon Procedures (“AUP”) contain procedures to review all, if any, prior audit issues.	_____	_____
3.	A. Identify technical advisements (TAAs and TIPs) relevant to this taxpayer (i.e., those referring to transactions similar in nature and type to this taxpayer) were identified.	_____	_____
	B. Based upon the technical advisements, tax issues for the current audit period were identified on the SAP provided to the Department’s Certified Audit staff with the PAUP.	_____	_____
	C. The AUP contains procedures to evaluate the appropriateness of all taxpayer interpretations of statutes and rules that are inconsistent from or different than the technical advisements.	_____	_____
4.	A. Inquire of the taxpayer, the availability of all records referenced on the SAP for all months in the Certified Audit period.	_____	_____
	B. Identify missing records requested on the SAP but not provided to the Department’s Certified Audit staff with the PAUP.	_____	_____
5.	A. A reconciliation of gross sales shown on the taxpayer’s Federal Income tax returns to the taxpayer’s Florida sales & use tax returns for the Certified Audit period was provided with the PAUP.	_____	_____

		<b>Initials &amp; Date</b>	<b>Work Paper Reference</b>
	B. Based upon the reconciliation, the AUP contains procedures to identify if unreported sales are taxable, pursuant to Ch. 212, F.S.	_____	_____
6.	A. If any sales tax has been collected and not remitted to the Department, create a separate WINFMT exhibit for them.	_____	_____
7.	A. Identify any areas of taxpayer non-compliance with sales & use tax statutes and rules (“issues”) discovered during the audit that were not covered by the original AUP.	_____	_____
	B. Submit to the Department’s Certified Audit staff a Supplemental PAUP for consideration, pursuant to Ch. 212, F.S., of these issues.	_____	_____
8.	A. Complete the SAP.	_____	_____
	B. Submit the completed SAP with the Certified Audit Report.	_____	_____
9.	A. Perform the Agreed Upon Procedures utilizing the Department’s WinFMT software.	_____	_____
	B. Prepare all WinFMT work papers as required by the AUP.	_____	_____
	C. All work paper references shown on the AUP include reference to both WinFMT exhibits and/or professional standard file internal work papers.	_____	_____

	<b>Initials &amp; Date</b>	<b>Work Paper Reference</b>
D. Prepare Explanations of Items for all WinFMT exhibits. Each Explanation of Items will contain the following:		
1. The reason or basis for creation of the exhibit.	_____	_____
2. The source of the information used within the exhibit.		
3. An explanation of the verbal terms and abbreviations used.		
4. A narrative description of any mathematical adjustments.		
5. A reference to any other exhibit to which the result was forwarded.		
6. The specific statute or rule used as the basis for the adjustment.		
7. If applicable, the reason or basis for utilizing sampling.		
E. Include WinFMT audit file with the Certified Audit Report.	_____	_____
F. Remit all payments to the Department's Certified Audit staff.	_____	_____
G. If your client does not agree with the audit findings, attached a detailed explanation from the client of the issues in dispute with the Certified Audit Report.	_____	_____
10. Comprehensive work papers and associated documentation may be required if any of the following criteria apply:	_____	_____
A. The taxpayer replaced the original qualified audit firm subsequent to the Department's approval of the Agreed Upon Procedures.		
B. The certified audit is the initial engagement performed by the qualified firm.		
C. The certified audit is the second of two consecutive audits which resulted in a "no change".		
D. The certified audit is within a sample of five percent of completed certified audits performed within a 12-month period.		
E. The certified audit report is protested by the taxpayer.		
F. In cases where the Certified Audit Report indicates an overpayment has been made.		

		<b>Initials &amp; Date</b>	<b>Work Paper Reference</b>
11.	Submit a statement with the Certified Audit Report acknowledging that the following requirements were met in the performance of the AUP:		
	A. Qualified Practitioner has supervised the performance of all the audit procedures in the AUP.	_____	_____
	B. All Practitioners performing Agreed Upon Procedures have passed the Sales and Use Tax examination and are listed on the Request to Participate.	_____	_____
	C. The Certified Audit was completed in accordance with Ch. 213.285, F.S. and Rule 12-25, F.A.C.	_____	_____

**Sales Analysis:**

1.	A. Sample period agreed to by the Department: <u>Sample Period</u>	_____	_____
	B. The parties hereto having agreed that the records are so voluminous in nature and substance, that a sampling method is the most effective, expedient, and adequate method in which to conduct an audit of the sales books and records. The sample period in step A is utilized for steps ____ through _____, except as otherwise noted.	_____	_____
2.	A. Obtain the detail general ledger for all sales & use tax payable accounts.	_____	_____
	B. Obtain the taxpayer's sales & use tax returns.	_____	_____
	C. Compare the sales & use tax payable accounts to the corresponding sales & use tax returns for the specified sample period.	_____	_____
	D. If the sales & use tax payable account ledger balances do not agree to the sales & use tax returns for the sample period, repeat step 2C for the entire audit period.	_____	_____
	E. Based on the procedures performed in steps 2C and 2D, create a WinFMT detail exhibit pursuant to Ch. 212, F.S., adjusting the taxpayer's tax liability for each month in the certified audit period.	_____	_____
3.	A. Identify each revenue account.	_____	_____

	<b>Initials &amp; Date</b>	<b>Work Paper Reference</b>
B. Obtain the detailed general ledger for each revenue account.	_____	_____
C. Obtain the taxpayer's sales & use tax returns.	_____	_____
D. Trace the detailed general ledger for each revenue account from step 3B to the corresponding sales & use tax returns from step 3C.	_____	_____
E. Inquire of the taxpayer if any revenue has been excluded from the sales & use tax returns, and for any identified, trace the taxpayer's basis for exemption to Ch. 212, F.S.	_____	_____
F. For any type of revenue inappropriately included in or excluded from sales & use tax returns, repeat step 3D for each month of the Certified Audit period.	_____	_____
G. Create a WinFMT detail exhibit pursuant to Ch. 212, F.S., for errors identified in step 3F, calculating the taxpayer's tax liability for each month in the audit period.	_____	_____
4. A. Separately identify each revenue source: GL accounts – Number and Title: _____	_____	_____
B. Obtain the sales journals and the general ledger for the sample period.	_____	_____
C. Obtain the sales invoices for the sample following period agreed to by the Department. <u>Sample period</u> _____.	_____	_____
D. Trace the sales invoices to the sales journal and general ledger.	_____	_____
E. If any invoices are not recorded on the sales journal or detail general ledger, communicate in writing to Department's Certified Audit staff for further instructions.	_____	_____
5. A. Using the invoices obtained in step 4C identify the invoices in which sales tax is stated on the invoice.	_____	_____
B. Compare that pursuant to Ch. 212, F.S., all elements of the sales price were included in the taxable amount.	_____	_____
	<b>Initials &amp; Date</b>	<b>Work Paper Reference</b>
C. Create a WinFMT percentage of error exhibit pursuant to Ch. 212, F.S., for all transactions in which all elements of	_____	_____

the sales price were not included in the taxable amount.

- |    |    |  |       |       |
|----|----|--|-------|-------|
| 6. | A. | Using the invoices identified in step 5A, recalculate the sales & use tax and any applicable Discretionary Sales Surtax using the rate provided by the bracket system as stated in Section 212.05, F.S., and Rule 12A-1.004, F.A.C.  | _____ | _____ |
|    | B. | Create a WinFMT percentage of error exhibit for all transactions in which the tax rate used is not correct pursuant to Ch. 212, F.S.   | _____ | _____ |
| 7. | A. | Obtain all untaxed sales invoices identified in steps 4C.  | _____ | _____ |
|    | B. | Obtain resale certificates, consumer exemption certificates, export documentation, affidavits or any other supporting documentation pursuant to Rules 12A-1.038 and 12A-1.039, F.A.C. and Ch. 212, F.S. supporting the exempt status of the transaction.                             | _____ | _____ |
|    | C. | Compare the documentation obtained in step 7.B. to exempt transactions pursuant to Rules 12A-1.038 and 12A-1.039 F.A.C. and Ch. 212 F.S.   | _____ | _____ |
|    | D. | If the documentation is not available or does not meet the requirements pursuant to Rules 12A-1.038 and 12A-1.039, F.A.C. and Ch. 212, F.S., then create a WinFMT percentage of error exhibit for the tax deficiency.  | _____ | _____ |
|    | E. | Immediately submit to the Department's Certified Audit staff a copy of the WinFMT Exhibit from step 7D for verification by the Department of the purchaser's active registered dealer status at the time of sale and that the item sold is an item normally resold by the purchaser. | _____ | _____ |
|    | F. | At the direction of the Certified Audit staff, delete exhibit exceptions from step D where the department will accept verification of active dealer status at the time of sale.  | _____ | _____ |

		<b>Initials &amp; Date</b>	<b>Work Paper Reference</b>
8.	A.	Obtain documentation for “Lawful Deductions & Refunds” (i.e. line 6 credits).	_____
	B.	Compare that any credit taken was in accordance to Ch. 212, F.S.	_____
	C.	If the credit is not allowed by Ch. 212, F.S., then create a WinFMT percentage of error exhibit in which a “Lawful Deductions & Refunds” credit was taken on the taxpayer’s sales & use tax returns.	_____
9.	A.	For the revenue source: <u>Commercial Rental of Real Property Income</u> .	_____
	B.	Obtain the detail general ledger for the Certified Audit period.	_____
	C.	Obtain the Federal Income tax returns for the Certified Audit period.	_____
	D.	Review the detail general ledger and the Federal Income tax returns to identify, pursuant to Ch. 212.031, F.S., all rentals, leases, and license to use real property income for the Certified Audit period.	_____
	E.	For all rentals, leases, and licenses to use real property income identified in step 9D that are verbal agreements, submit to the Department’s Certified Audit staff a Supplemental PAUP that includes audit procedures to determine taxpayer’s compliance pursuant to Ch. 212.031, F.S.	_____
10.	A.	Examine terms of lease agreement obtained in step 9E to determine, pursuant to Ch. 212.031, F.S., the total rental consideration.	_____
	B.	Compare the rental consideration required by the lease(s) to the detail general ledger real property rental income account.	_____
	C.	If rental payments made by the lessee to the lessor, or others on behalf of the lessor, pursuant to Ch. 212.031, F.S., do not include the sales tax on the total rental consideration, create a WinFMT detail exhibit to schedule additional tax due.	_____

	<b>Initials &amp; Date</b>	<b>Work Paper Reference</b>
11. A. For the revenue source: <u>Sale of Assets:</u>		
B. Obtain the detail general ledger for gain or loss on the disposal of fixed assets and the Federal Income tax returns for the audit period, and the latest depreciation schedule for the audit period.	_____	_____
C. From the information obtained in step 11.B, list any disposal of fixed assets during the audit period.	_____	_____
D. Compare the asset disposals listed in step 11.C to the occasional and isolated sales exemption, pursuant to Rule 12A-1.037, F.A.C.	_____	_____
E. Create a WinFMT detail exhibit adjusting the taxpayer's liability for each month in the audit period based upon the results of steps B, C, and D.	_____	_____

**Purchase Analysis:**

**Expensed Items: (purchases or rental of tangible personal property or services.)**

1. A. Sample period agreed to by the Department : <u>Sample period</u>	_____	_____
B. The parties hereto having agreed that the records are so voluminous in nature and substance, that a sampling method is the most effective, expedient, and adequate method in which to conduct an audit of the expensed purchase items books and records. The sample period in step A is utilized for steps _____through _____, except as otherwise noted.	_____	_____
2. A. For the sample period, obtain the taxpayer's general ledger sales & use tax payable account balances, the sales & use tax returns, and the self-accrual journals.	_____	_____
B. Compare the tax shown in the self-accrual journals to the general ledger and the sales and use tax returns.	_____	_____
C. Note any differences among the self-accrual journals, general ledger, and sales & use tax returns.	_____	_____

	<b>Initials &amp; Date</b>	<b>Work Paper Reference</b>
D. If there are discrepancies remaining after completion of step 2 C for the sample period, then repeat steps 2B and 2C for all months in the audit period.	_____	_____
E. Create a WinFMT detail exhibit pursuant to Ch. 212, F.S., adjusting the taxpayer's tax liability for errors identified in steps 2C and 2D for each month in the audit period.	_____	_____
3. A. For the sample period, listed below are the expense accounts and cost of goods sold accounts that are of the nature and type that include taxable purchases and taxable services pursuant to Ch. 212, F.S.:	_____	_____
_____		
_____		
B. Obtain the detail general ledger for the accounts listed in step 3A.	_____	_____
C. From the detail general ledger, identify all transactions for the accounts listed in step 3A.	_____	_____
D. Obtain all invoices for the transactions identified in step 3C.	_____	_____
E. Examine each purchase invoice to determine if the tax, pursuant to Ch. 212, F.S., has been separately stated on the invoice and paid to the vendor.	_____	_____
F. For taxable purchases, pursuant to Ch. 212, F.S., in which tax was not separately stated on the invoice and paid to the vendor, calculate the tax and compare to the taxpayer's self-accrual journal.	_____	_____
G. For the audit period, create a WinFMT percentage of error exhibit to schedule deficiencies, pursuant to Ch. 212, F.S., for untaxed invoices, missing invoices, and improperly taxed invoices as identified in steps 3C, 3D, 3E, and 3F for Sales and Use Tax and Discretionary Sales Surtax.	_____	_____
4. A. Obtain the detail general ledger for inventory and identify withdrawals (credits to the account) to the corresponding debit side of the entry. List withdrawals charged (debited) to any account other than Cost of Goods Sold.	_____	_____

	<b>Initials &amp; Date</b>	<b>Work Paper Reference</b>
B. Pursuant to Ch. 212, F.S., compare the taxpayer's use of the tangible personal property to taxable use.	_____	_____
C. Compare the tangible personal property withdrawn from inventory to the taxpayer's self-accrual journal.	_____	_____
D. Create a WinFMT percentage of error exhibit for items identified in steps 4B and 4C in which use tax was not reported on the taxpayer's sales and use tax returns.	_____	_____
5. A. Obtain the detail general ledger for accounts containing manufactured cost price of tangible personal property fabricated for the taxpayer's own use, including direct materials, direct labor, and indirect manufacturing costs.	_____	_____
B. Using the detail general ledger obtained in step 5.A., identify all elements of the manufactured cost price of tangible personal property fabricated for the taxpayer's own use pursuant to Rule 12A-1.043, F.A.C.	_____	_____
C. Compare the transactions identified in step 5B to the taxpayer's self-accrual journal.	_____	_____
D. Create a WinFMT percentage of error exhibit for items identified in steps 5B and 5C in which use tax was not paid on the taxpayer's sales and use tax returns.	_____	_____

### **Capital Assets**

(Selection of alternatives one or two for review of fixed assets is dependent upon the record keeping practices of the taxpayer.)

1. A. Obtain the general ledger detail of fixed assets for each year in the audit period.	_____	_____
B. Obtain the depreciation schedule included with the Federal income tax return filed each year during the audit period.	_____	_____
C. Compare the fixed asset accounts general ledgers (step 1A) to the acquisition cost on the depreciation schedules (step 1B).	_____	_____

	<b>Initials &amp; Date</b>	<b>Work Paper Reference</b>
D. If there are discrepancies resulting from step 1C, list the additional fixed assets purchased and/or leased included in the general ledger but not the depreciation schedules.	_____	_____

**Alternative One (using the General Ledger  
as the control document)**

2. A. Using the general ledger detail obtained in step 1A list all fixed assets purchased and/or leased during the Certified Audit period.	_____	_____
B. Obtain invoices for all fixed assets identified in steps 1D and 2A.	_____	_____
C. Recalculate the tax for each invoice, pursuant to Ch. 212, F.S.	_____	_____
D. Compare the tax calculated in step 2C to the tax separately stated on the invoice.	_____	_____
E. Compare the total invoice amount, including tax, to the corresponding record of cash disbursement.	_____	_____
F. For invoices on which the tax is not separately stated, compare the tax calculated in step 2C to the taxpayer's self accrual journal.	_____	_____
G. Create a WinFMT detail exhibit of tax deficiencies pursuant to Ch. 212, F.S., for untaxed invoices, missing invoices, and improperly taxed invoices for Sales & Use Tax and Discretionary Sales Surtax.	_____	_____

**Alternative Two (using the depreciation schedules  
as the control document)**

2. A. For the period subsequent to the inclusive dates of the depreciation schedules in step 1A, to the end of the Certified Audit period obtain the detail fixed asset accounts general ledger.	_____	_____
B. From the general ledger, obtained in step 2A list fixed assets acquired subsequent to the inclusive dates of the depreciation schedules in step 1A.	_____	_____

	<b>Initials &amp; Date</b>	<b>Work Paper Reference</b>
C. If a detail general ledger of fixed asset accounts for the period subsequent to the inclusive dates of the depreciation schedules in step 1A is not available, list capital asset acquisitions using the cash disbursements and accounts payable journal.	_____	_____
3. A. Using the depreciation schedules obtained in step 1.B. list all fixed assets purchased and/or leased during the audit period.	_____	_____
B. Obtain the supporting invoices for all fixed assets identified in steps 1D, 2C, and 3A.	_____	_____
C. Recalculate the tax for each supporting invoice, pursuant to Ch. 212, F.S	_____	_____
D. Compare the tax calculated in step 3C to the tax separately stated on the supporting invoice.	_____	_____
E. Compare the total supporting invoice amount, including tax, to the corresponding record of cash disbursement.	_____	_____
F. For supporting invoices on which the tax is not separately stated, compare the tax calculated in step 3C to the taxpayer's self accrual journal.	_____	_____
G. Create a WinFMT detail exhibit of tax deficiencies pursuant to Ch. 212, F.S., for untaxed invoices, missing invoices, and improperly taxed invoices, for Sales & Use Tax and Discretionary Sales Surtax.	_____	_____
<b>Commercial Rental of Real Property by Taxpayer:</b>		
1. A. Obtain the detail general ledger for the Certified Audit period.	_____	_____
B. Obtain the Federal income tax returns for audit period.	_____	_____
C. Compare the detail general ledger and the Federal income tax returns to list, pursuant to Ch. 212, F.S., all rentals, leases, and licenses to use real property for the audit period.	_____	_____

	<b>Initials &amp; Date</b>	<b>Work Paper Reference</b>
D. For all rentals, leases, and licenses to use real property identified in step 1C, obtain real property leases and supporting invoices for the audit period.	_____	_____
E. For all Florida rentals, leases, and licenses to use real property identified in step 1C that are verbal agreements, submit to the Department a supplemental PAUP that includes audit procedures to determine taxpayer compliance, pursuant to Ch. 212, F.S.	_____	_____
2. A. Examine terms of lease agreements obtained in step 1D to recalculate, pursuant to Ch. 212, F.S., the total rental consideration.	_____	_____
B. Compare the rental payments required by the lease(s) to the detail general ledger expense accounts for rentals and licenses to use real property.	_____	_____
C. If the rental payments made by the taxpayer to the lessor or others on behalf of the lessor, pursuant to Ch. 212, F.S., do not include the payment of tax on the total rental consideration, calculate the tax and compare to the taxpayer's self-accrual journals and sales & use tax returns.	_____	_____
D. For the audit period, create a WinFMT detail exhibit for rental or license to use real property if Sales & Use Tax and Discretionary Sales Surtax was not paid on all rental consideration, pursuant to Ch. 212. F.S.	_____	_____
3. List on the SAP the landlord's name, address, and sales tax registration number.	_____	_____

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*Signature of Qualified Practitioner* *Date*

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*Typed name of Qualified Practitioner*