

CORPORATE & PARTNERSHIP INTERVIEW

General Information & History of Business:

1. POA received?
2. Who has the authority to obligate the company in financial and contractual arrangements for the current year and the year under examination.? (Is this supported by the corporate minute book or a signed agreement)?
3. Prior audits? (Federal/State, results? Secure copies from TP).
4. Certified audits performed? (When, obtain a copy, by whom).
5. When did the business start?
Date Incorporated or partnership agreement?
Certificate/charter of incorporation issued in what state?
Has the business changed its means of producing income since it began?
6. How did business start? (Sole proprietorship, p/s, stock purchase)
7. Is the business still in operation currently?
Are there any future plans or anticipations involving the operation of the business? (Remodeling or expansion)?
8. Have there been any unusual or extraordinary events during the last 3 years? (Acquisitions, dispositions, or decline in income due to casualty, loss of prime supplier or customer, or other economic or business conditions).
Have there been any major expansion or remodeling of the business plant or facilities in recent years?
9. Was there ever a reorganization? When?
Was there ever a bankruptcy? When?
Other dba's, EIN's?

OWNERSHIP AND MANAGEMENT

1. Are the present officers-shareholders, partners, or owners the originators?
2. Who are the current officers, partners or owners responsible for the company's management? (Executive, financial, sales, production, etc).
3. What is the percentage of ownership of each officer or partner?
4. What is the percentage of each officer-stockholder's, partner's or owner's time devoted to the business and their duties?
5. Have their ownership percentages and duties remained constant?
6. How is the compensation of the officers-stockholders determined (Salary plus bonus, other fringe benefits)?
7. Does the company own or lease private passenger or recreational vehicles?

If yes, is the use of these vehicles assigned to specific officers, shareholders, partners or owners? (List them)

NATURE OF BUSINESS

1. What is the company's business activity?
2. Describe briefly the business and its product lines. (Is it a wholesale, retail, manufacturing, service organization, etc.)?
3. Where does the company conduct its business? (Locations, cities, states, countries, etc)
4. How are sales made? (Advertising, sales people, referrals)

METHOD OF OPERATIONS:**1. Sales**

- a) What terms of sale are offered? (Cash, AR, credit cards, financing agreements, contract, deposits, earnest money received, trust accounts, house accounts)
- b) Discounts given? (Type and amount)
- c) Major customers
- d) When recorded? (Date delivered, title passes, daily or weekly)
- e) How are "returns" handled? (Refunds)
- f) Seasonal trends?

2. Purchases

- a) Terms, advantage taken of discounts?
- b) Major suppliers?
- c) When recorded? (By whom)?
- d) How often do you order stock? (Reorder points established? # turn, shelf life)?

3. Inventory

- a) Physical taken by whom? (Third party, in-house employees)
- b) How are goods in transit treated? (Sales or purchases, goods on consignment)
- c) Method of costing inventory (FIFO, LIFO, etc.)

ACCOUNTING SYSTEM:

1) Internal control

A) Control of cash:

- 1) How much cash was on hand at the beginning of the year; end of year; and average amount on hand at any given time?
- 2) Describe the method of handling cash. (Who receives, and handles cash, petty cash fund and checks received?
- 3) How are monies accounted for prior to deposit? (Personal/business expenses paid in cash, cash paid out slips used, control card kept on Acct. Rec.). Who controls it and where is it kept?
- 4) How often are deposits made?
- 5) Who makes the deposits?
- 6) List Current Bank accounts. Who has check signing authority?
- 7) List of Bank accounts for year(s) in audit. Who had check signing authority?
 - a) checking #
 - b) savings #
 - c) cert. of deposits #

B) Who performs the book entries?

- 1) 3rd part, accountant, relative, employee?
- 2) Is there a system to test and check the internal controls periodically for skimming or embezzlement? Prior history of embezzlement?
- 3) Is the same person who handles the cash also making entries in the books?

2. Accounting method used for books and tax purposes. (Cash, accrual, % of completion, completed contract, hybrid)?

- a) Book method -
- b) Tax method -

3. Chart of Accounts

4. Books of account

- a) Sales Journal ()
- b) A/R ()
- c) Purchases ()
- d) A/P ()
- e) Gen. Ledger ()
- f) Subsidiary A/R ()
- g) Subsidiary A/P ()
- h) Cash receipts Jnl ()
- i) Cash disburs. Jnl ()
- j) Other ()

5. Source of documents:

- a) Bank statements ()
- b) Cancelled checks ()
- c) Purchase invoices ()
- d) Sales invoices ()
- e) Purchase orders ()
- f) Written contracts ()
- g) Client ledger cards ()
- h) Physical/inv. cards ()
- i) Cash register tapes ()
- j) EDP Tapes & Disks ()
- k) Other ()

6. Names of personnel to be involved in audit for purpose of obtaining source material and providing copies of needed information:

7. Does the corporation have a corporate attorney? If yes, name and description of services provided.

SLUSH FUNDS - Corporation only:

1. Has company made any foreign transactions?
(purchase/sales)
2. Any foreign contributions made?

RELATED ENTITIES:

1. Name family or relatives working in business as employees or subcontractors?
2. Are there related transactions between S/H and corp?
(partner and P/S):
 - a) Rental of property
 - b) Purchase or sale of goods or services
 - c) Purchase of or sale of assets
 - d) Loans to or from
 - e) Other corp. or P/S owned by S/H or partner
3. Copies or related returns
4. Identify all related returns and interrelationships.
(Prepare a flow-chart type diagram if necessary to understand to show relationship and how transactions flow among entities).

CAPITALIZATION

Shares Authorized.....
Par Value.....
Shares Issued and Outstanding..
Treasury Shares.....

STOCK OWNERSHIP

<u>Owner Name/Address</u>	<u># of Shares</u>	<u>% Ownership</u>	<u>Description</u>
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At inception:

At beginning of tax year:

At end of tax year:

Currently:

OTHER ITEMS:

1. Does the taxpayer participate in bartering activities?
2. Are any payments being made to individuals who are not considered employees? (If yes, list such individuals and their duties).
3. List other sources of income (Rents, royalties, sale of assets, sale of scrap, etc.).
4. Did the taxpayer receive any rebates or reimbursements from anyone? (if so, name the source, amount and reason).
5. From a Balance Sheet Preliminary Analysis, are there any large variations of assets, liabilities, capital accounts or net income? (Have taxpayer explain).
6. Other than the banks and lending institutions previously stated, are any other individuals or entities holding money or other assets for the taxpayer?

7. This is the conclusion of the initial interview. Please describe and demonstrate a sales, purchase, and inventory transaction. Show how transactions flow through the books and how the receipts are controlled and filed. Agent should consider preparing a flow chart of the audit trail for an easier overview of the accounting and record keeping system to better determine how to approach the examination. Also have the taxpayer give a tour of the business.