



Sampling and Your Audit

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How Can Sampling Benefit My Audit?

The nature of your records will determine the best audit plan for your business. The most accurate and unbiased audit is a detail audit. A detail audit is when each record in the audit period is examined to determine the actual amount of additional tax is due or overpaid. A detail audit may be required by statute for some record types. Generally, the amount of time needed to complete a detail audit is too great, unless the records are available electronically.

An auditor typically selects a sample of records from the audit period and the auditor only examines the records in the sample. **A properly designed sample can reduce the collective efforts of the taxpayer and the Department to complete the audit. Shorter audit times result in a cost savings to you.**

Although the emphasis of this publication is on sales and use tax, the same sampling procedures may be used for audits of other taxes administered by the Department.

What Is Sampling?

Sampling is taking a segment of a much larger group or population and drawing conclusions about the population based on sample results. Randomly selecting the sample from the population removes bias from the sample selection process because each sample point has an equal chance of being selected.

The objective of sampling is to provide an effective and efficient audit result in less time than it takes to complete a detail audit. We use two types of sampling:

- statistical
- non-statistical

Statistical Sampling

Statistical sampling uses random selection of sample points with precision or sampling risk calculated on the results. Precision measures how far off the sample results could be from the actual results.

The statistical sampling methodology used by the Department is stratified statistical sampling. Stratified statistical sampling separates your data into similar groups, called strata, based on statistical methodology.

Stratified statistical sampling allows for calculation of sample precision at a 95% confidence level. In order to conduct a statistical sample, your transactions must be available in an electronic format and provided to the Department on electronic media. Your auditor can provide you with a list of supported media types.

How Are Statistical Sample Points Selected?

Statistical sample points are randomly selected from the electronic data. Records must be in good order and substantially complete for each transaction to have an equal chance (or probability) of being selected.

The Department typically uses seven sample strata. A detail threshold is identified and a detail group is separated from the population to be sampled. The detail group contains the high dollar items in the population. Such items represent a large portion of total dollars and only a small percentage of total items.

Non-Statistical Sampling

When electronic transactions are not available or the electronic data is not suitable for an electronic detail or stratified statistical sampling, non-statistical sampling techniques will be used. Non-statistical sampling methods may use random selection of sample points, but do not calculate precision or sampling risk.

In order to be a statistically valid sample, precision must be calculated. Because this is not generally possible when we do not have electronic records, these samples are referred to as non-statistical samples, even though random selection may have been used.

How Are Non-Statistical Sample Points Selected?

There are two non-statistical sample selection methods:

- Random sample selection – Random selection uses a random number generator to determine the sample points. This selection method removes any auditor or taxpayer bias from the selection process. Based on how the records are physically stored and available this sampling method provides for maximum efficiency and effectiveness. Records can be numbered or non-numbered, or may be a combination of both. The auditor can randomly select both types of records for review.

Possible examples include:

- Numbered
 - Invoice numbers
 - Voucher numbers
 - Check numbers
- Non-Numbered
 - Time periods (days, weeks, months, quarters)
 - Journal pages and line items
 - Imaged documents
 - Microfiche documents
- Judgmental sample selection – Selection relies on the auditor's judgment in the evaluation and selection of a sample. Auditor judgment is based on auditing principles, common sense, managerial guidelines, and audit experience to form reasonable conclusions. This selection method may be most applicable when taxpayer's records are inadequate or when random selection is not feasible.

Frequently Asked Questions

What if my records are filed differently from year to year?

A representative sample can be selected from many different populations, based on how the records are filed. Your auditor can assist you with determining an effective and efficient audit plan for your individual records.

What software will be used to randomly select the sample points?

The Department has developed software programs that randomly select sample points from both electronic and hard-copy populations. WinSample is the software supporting hard-copy samples. It is available on our website.

Will my records be kept confidential?

Florida law specifically states that all tax information received by the Department is confidential and will only be used for official purposes. Any current or former Department employee who makes or participates in an unauthorized disclosure of confidential tax information is subject to criminal penalties provided in section (s.) 213.053, Florida Statutes (F.S.).

Reference Material

Tax Laws – Our online Revenue Law Library contains statutes, rules, legislative changes, opinions, court cases, and publications. Search the library for s. 213.34, F.S., Authority to audit; s. 213.35, F.S., Books and records; and Rule 12-24.023, Florida Administrative Code, Recordkeeping Requirements - General.

Brochures – Download these brochures from our “Forms and Publications” page:

- *What to Expect from a Florida Tax Audit* (GT-800042)
- *What to Expect from a Florida Reemployment Tax Audit* (RT-800063)
- *Auditing in an Electronic Environment (e-Auditing)* (GT-800050)

Information, forms, and tutorials are available on our website: **www.floridarevenue.com**

To speak with a Department representative, call Taxpayer Services at 800-352-3671, Monday through Friday, excluding holidays.

To find a **taxpayer service center** near you, go to:

www.floridarevenue.com/taxes/Pages/servicecenters.aspx

For written replies to tax questions, write to:

Taxpayer Services - MS 3-2000
Florida Department of Revenue
5050 W Tennessee St
Tallahassee FL 32399-0112

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