



# Sampling and Your Audit

## 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 due or tax overpaid. A detail audit may be required by statute for some record types. Generally, however, 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 and time of the taxpayer and the Florida Department of Revenue (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 and fees administered by the Department.

## What Is Sampling?

Sampling is when an auditor takes a segment of a much larger group or population and draws conclusions about the larger population based on the review of the sample segment results. Randomly selecting a sample from the larger 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. The Department uses 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. This 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. 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 this method does not calculate precision or sampling risk.

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 made available, this sampling method provides for maximum efficiency and effectiveness. Records can be numbered, 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 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 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.

#### 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 213.053, Florida Statutes.

### Other Helpful Publications and Resources

**Tax Laws** – Tax laws are available at [leg.state.fl.us](http://leg.state.fl.us).

**Rules** are available at [flrules.org](http://flrules.org).

**Brochures** – These brochures and others are available at [floridarevenue.com/forms](http://floridarevenue.com/forms):

- *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* ([GT-800050](#))

**Subscribe to Receive Email Alerts from the Department.** Subscribe to receive an email for filing due date reminders, Tax Information Publications (TIPs), or proposed rules. Subscribe today at [floridarevenue.com/dor/subscribe](http://floridarevenue.com/dor/subscribe).