

Nonprofit Organization Fundamentals
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IRS Audits

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Agenda

INTRO

TYPES OF IRS CONTACT

PRACTICAL GUIDANCE

Before an Audit

Audit Process

Audit Parameters

Discovering Errors & Mistakes

Submissions & Responses

AUDIT OUTCOMES

Q&A

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I. Intro

A. Welcome

B. IRS Focus in EO space = Education and Compliance (vs. raising revenue/yanking exemptions)

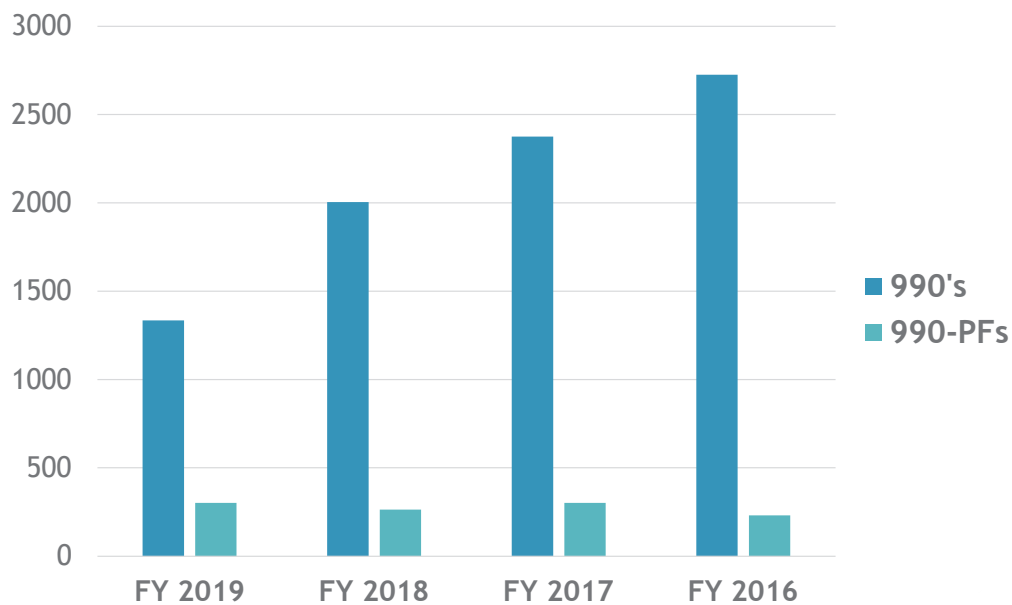
i. Audit numbers trending down

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I. Intro

IRS EXAMINATIONS



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I. Intro *(continued)*

C. KEY TAKEAWAY = BEST DEFENSE IS GOOD OFFENSE

D. IRS identifies orgs to audit through:

- i. Referrals (internal, another agency, public)
- ii. Statistical sampling
- iii. Data analytics (aka “query sets”)
 - Largely from Form 990
 - ▶ Inconsistencies or mismatches (*i.e.* UBTI on Form 990 but no 990-T filed, employment tax items)
 - ▶ “Yes” to substantial contraction on Form 990 PF

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I. Intro *(continued)*

iii. Data Analytics (aka “query sets”) *(continued)*

- ▶ 990-T claims for refunds
- Best practices to consider:
 - ▶ Take 990 seriously - involve more than just accountants in the review
 - ▶ E-filing (helps identify non-compliance, mandatory in 2021 or 2022 at latest - Taxpayer First Act)
 - ▶ Consider reviewing peer Form 990s
 - ▶ Keep good records of everything submitted to IRS

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