

*Nonprofit Organization Fundamentals*  
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## IRS Audits

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1

## Agenda

INTRO

TYPES OF IRS CONTACT

PRACTICAL GUIDANCE

Before an Audit

Audit Process

Audit Parameters

Discovering Errors & Mistakes

Submissions & Responses

AUDIT OUTCOMES

Q&A

2

2

# I. Intro

A. Welcome

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

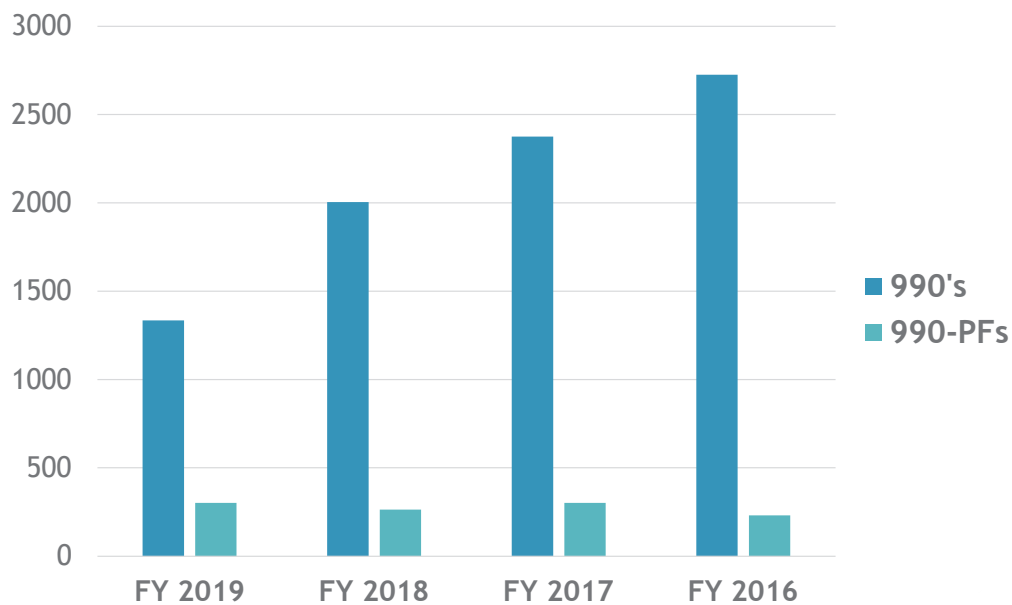
i. Audit numbers trending down

3

3

# I. Intro

## IRS EXAMINATIONS



4

4

## 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

5

5

## 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

6

6

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