Kentucky's Computer Assisted Audit Program

Finance and Administration Cabinet
Department of Revenue

"Service is our Role, Compliance is our Goal"

What is the Computer Assisted Audit Program?

The Computer Assisted Audit Program (CAAP) uses transactional data in an electronic format to examine events that occur in the course of business.

If a taxpayer's required records are maintained as both electronic records and hard copies, the taxpayer shall make the records available in electronic record format upon request (KRS 131.240).

All information acquired in the course of administering taxes is confidential (KRS 131.190). Electronic data used in performing audits will not be shared with any other agency.

What are the benefits of using electronic records?

- Audits using electronic records are usually completed more quickly than audits in which only hard copies of records are used.
- The auditor spends less time on location so the audit is less disruptive to the business operations.
- Time spent by both the entity's personnel and the auditor will be used more efficiently.
- Entry errors are reduced since most data is transferred from the entity's accounting system. Only the results of the examination must be entered.
- Use of electronic records results in the most consistent and fair outcome utilizing the efficiencies of stratified random sampling.

What electronic records are required?

Electronic records required include:

- Detail transactional purchases and sales data for the audit period. A transaction can be an entire invoice or a line item on an invoice. Line item transactions are preferred,
- Vendor or customer lists if names and addresses are not included in the detail transaction file,
- Transactional data for use tax accruals (if applicable),
- General ledger trial balances for all years included in audit, and
- Chart of accounts.

What data fields are required?

ALL data fields maintained for sales and purchase transactions should be included in the data file. It is not necessary for all requested information to be contained in one file if key fields are included in all files. Essential fields listed below must be included in the file, if they are maintained.

Sales transactions

- Customer name,
- Customer number,
- Address to which merchandise was shipped or location where picked up,
- Date of sale or date sale was recognized,
- Amount of sale, nontaxable and taxable,
- Amount of tax on invoice,
- Description of the item sold, and
- Information to locate the invoice, such as an invoice number.

Purchase transactions

- Posting date or date liability recognized,
- Vendor name,
- Vendor number,
- Amount of transaction,
- General ledger account to which transaction was posted,
- Indication that tax was paid to the vendor or use tax was accrued,
- Description of item purchased,
- Indication of where item was used, and
- Information to locate document, such as an invoice number, check number, batch number, image number, microfiche reel and frame number or some other identifier.

Vendor/Customer Files

The customer or vendor files must contain a unique field that is also in the transactional data which can be used to relate customer or vendor to each transaction. *Example: The sales data and customer data are in separate files. Both files contain a customer number (key field) that relates the data in the two files. This method is acceptable if the key field is included in both files.*

What file types/formats are accepted?

Files should be created in accordance with the following guidelines.

- ASCII files, such as text files or files that can be opened in a database or spreadsheet are preferred. Print files are also acceptable.
- Images of documents or pdf files may be acceptable; however they are not preferred.
- The ideal format for mainframe data is a sequential flat file containing single type fixed length records, however, multiple record type and variable length records will be accepted. EBCDIC data should not be translated to ASCII.
- Backup or compression utilities must be approved by the Department of Revenue (DOR). WinZip is approved software to compress files.
- All dollar amounts must include decimal points and two decimal places.
- Delimited files should not use a character that also appears within the data since the data will not convert properly.

How can data files be sent?

Data files can be sent using any of the following methods.

- E-mail—File attachments can be no more than 10 megabytes.
  NOTE: *This method of submission is an unsecured form of transmission and could be intercepted in route.*
- FTP transfer (external).
- Mailed or given to the Revenue field auditor performing the audit.

Files that are not transmitted electronically can be submitted on:

- CD or DVD
- Zip disk—maximum 250MB
- USB memory stick /flash drive

What information is needed about the data files?

All submissions must be accompanied by:

- Record layout that includes field names, field start positions, field lengths, data types, field descriptions, and formats of numeric and date fields (not necessary for spreadsheet or database files),
- Data dictionary (description of field contents),
- Explanations of codes appearing in data,
- Check totals and total record counts, and
- Name and phone number of person to contact for questions about data files.

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