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0100 INTRODUCTION

The Multistate Audit Technique Manual (MATM) is designed and intended to aid auditors in the performance of multistate audits. It contains discussions of statutes, regulations, court decisions, department policies, and audit techniques.

As explained in FTB Notice 94-8, FTB manuals provide you guidance. The manuals are not authoritative, and cannot be cited to support an audit position by either the auditor or the taxpayer. Do not use the MATM as a substitute for researching statutes, regulations, court, State Board of Equalization or Office of Tax Administration decisions that are pertinent to an audit issue. Instead, use the MATM as an initial step in understanding the issues. The MATM provides direction and is the starting point for research.

The auditing methods and techniques addressed in this manual may not be necessary or applicable for every audit. You should use discretion in deciding which techniques to use during a particular audit. Furthermore, the department strongly encourages you to use creativity and initiative to develop additional techniques.

The audit process is continually evolving due to:

- Statutory and regulatory revisions and enactments.
- Court, SBE and OTA decisions.
- FTB Legal Rulings, Notices, and Technical Advice Memorandums.
- FTB new and revised policies and techniques.

To ensure the continued relevance of this manual, it is important that it be updated to reflect these changes. Any suggestions or corrections are welcome, and may be sent to the TRS Box, the MATM Box or interoffice mail to Mail Stop F350.

0115 AUDIT OBJECTIVE

The taxpayer is primarily responsible for determining the correct amount of tax. In accordance with R&TC §§ 19501 - 19504, the department has developed an audit program. The goal is to complete cases within 2 years of initial contact, 4 years from the return-filed date, or within a reasonable period as dictated by the circumstances of the case. (CCR §19032)

Purpose of an Audit

The purpose of an audit is to effectively and efficiently determine the correct amount of tax based on an analysis of relevant tax statutes, regulations, and case law as applied to the taxpayer's facts. The procedures and techniques needed to successfully complete an audit assignment depend on the circumstances in each case. In all cases, established audit objectives, procedures, and techniques should be followed. Based on experience, the best results are achieved through cooperation, effective communication, and by setting and adhering to goals throughout the audit process. This manual incorporates best audit practices. It contains tools to assist you in incorporating best [audit practices](#) into your workloads. Best audit practices are referenced throughout the Manual of Audit Procedures.

0125 AUDIT STANDARDS

As recognized professionals, the department expects you to carry out your work in a manner that is both fair and effective. You should conduct all of your audits in accordance with the following audit standards:

- **Legality** – The manner in which the audit is conducted, and all conclusions reached, must be consistent with established laws and legal interpretations.
- **Objectivity** – All relevant facts must be examined in a fair and unbiased manner.
- **Timeliness** – Audits must be conducted and completed promptly, with a minimum of inconvenience to taxpayers.
- **Supportability** – Audit recommendations must be adequately supported and consistent with both the facts and the law.

0150 Ordering the Multistate Audit Technique Manual

FRANCHISE TAX BOARD STAFF

The MATM is available on the FTB Inside Net. Consequently, FTB staff should seldom require hard copies of the MATM

PUBLIC CUSTOMERS

The MATM is available on the FTB website at www.ftb.ca.gov.

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