

Frequently Asked Questions

About Unemployment Insurance Tax Audits



Q Why does MDES perform audits?

A MDES audits are performed in conjunction with the Department of Labor. Audits are conducted to assure compliance with unemployment tax laws.

Q How are employers selected for audit?

A Employers are selected for audit for a couple of reasons:

1. **Random selection**—The majority of MDES audits are randomly selected by computer software.
2. **Discrepancies in reported wage**—If a former worker files for unemployment benefits, and wages reported to MDES do not match the records for the worker, an audit may be initiated.

Q What is the auditor looking for?

A The auditor will verify that all wages have been reported correctly and that taxable wages have been computed correctly.

Q How many years will the audit cover?

A An audit typically encompasses one to three calendar years. The audit letter will list the years under review, specific to your audit.

Q How long will the audit take?

A It depends on the number of employees, the condition of your records, and any irregularities that are found. Some audits take two to three hours; other audits may take longer.

Q Where will the audit take place?

A The default audit location is the physical location of your business. You may request to have the audit moved to an accountant's office or to a local MDES office. This should be discussed with the auditor, prior to the audit date. An on-site visit to your place of business may be needed during the audit, if the audit takes place off site.

Q Do I have to be present at the audit?

A As the owner or officer of the business, you may designate someone else to represent you, i.e. your accountant. This person will become the primary contact during the audit. It is your responsibility to ensure your representative has all the required records.

Q What is the audit questionnaire?

A The audit questionnaire is used by the auditor for a variety of reasons. It notifies the auditor of any critical missing records. Also, it provides the auditor with written confirmation of the audit location, as well as, the contact information of person handling the audit.

Q Is the audit questionnaire required?

A The audit questionnaire must be completed and returned to the auditor. Instructions are included in the audit letter packet.

Q What records are needed for the audit?

A The audit letter contains all the records needed for the audit. If any of the requested documents are not available, the auditor should be notified prior to the audit date. This can be done via the audit questionnaire.

Q Why do you need my Federal Income Tax Return?

A All the requested documents are necessary to thoroughly perform the audit. The auditor uses all the records to reconcile your wages, as well as, verify information. The auditor can answer specific questions you may have regarding any of the requested documents.

Q How often can I be audited?

A You can be audited once every 24 months.

Q What if I don't have employees?

A The auditor will need to review the records of the business, to verify that no employees exist.

Q What happens if discrepancies are found during my audit?

A Once the auditor has completed the review of the records, he/she will discuss any findings in detail. The auditor is responsible for explaining any proposed changes.

Q What if the audit results in additional tax due, but I cannot pay?

A Any tax, interest, and damages must be paid. If you cannot pay the entire amount in full, the agency can usually arrange a payment agreement.

Q Will I receive any written notification of the findings?

A Once the audit findings have been discussed and all changes have been explained, the auditor will issue a review letter. In this letter, all changes will be outlined. You will be given a final deadline to provide any further documentation, if applicable.

Q What if I do not agree with the findings?

A If, after the auditor has explained his/her findings, you do not agree with the audit, you may request a review of the decision. Once the audit is submitted, a letter is mailed to you with instructions.

Q Does a review of the audit decision stop interest from accruing?

A No. Once the audit is processed, the additional taxes are considered due. During the review process, the interest will continue to accrue. In order to avoid any additional interest, you should pay in full. A refund would be issued, should the audit decision be overturned.

Q Am I responsible for making any adjustments found during the audit?

A The auditor will make any necessary adjustments to MDES wages in any quarters that fall under the audit scope, which includes bringing the adjustments to the most current return filed. You are responsible for staying in compliance on all future reports.

Q Will the auditor adjust any federal reports?

A The auditor will only make adjustments to MDES wages. You should consult your tax professional if you have questions regarding adjusting any other agency's returns.

**FOR MORE INFORMATION
CONTACT**

**AUDIT SUPERVISOR
AUDIT@MDES.MS.GOV**