

Exhibit 3-3

Taxpayer Name: _____

Form: _____

Year: _____

Initial Interview Questionnaire

Every audit should include a tour of the taxpayer's facilities. Is the business still located at the address on the return? Are there any other locations?

If the Entity is a Corporation:

1. Ask the taxpayer to explain the corporation's history.

Date incorporated:

State:

How did the business start?

Sole proprietorship, S-Corp, C-Corp, Partnership, purchase of stock from third party, IRC section 351 transfer?

Any changes in entity? (Possible built-in gains)

2. Are the present officers-stockholders the incorporators?
3. Who are the current officers-stockholders responsible for the corporation's management? (Executive, financial, sales, and services)
4. What is the percentage of corporate ownership of each officer?
5. What is the percentage of each officer's/stockholder's time devoted to the corporation's business?
6. Have their ownership percentages and duties remained constant?
7. How is compensation of officers-stockholders determined? (Salary plus bonus? Other fringe benefits?)
8. Does the corporation own or lease passenger or recreational vehicles? If yes, to whom are these vehicles assigned? How are business purpose and expenses documented?
9. Are immediate family members or close relatives employed by the corporation?

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Financial Operations

Explain the financial operations of the business, including the accounting system, types of records maintained, and internal controls.

1. Is there an organizational chart? If not, describe in a general manner the organization of the accounting department, that is, the lines of responsibility.
2. Who should be contacted to obtain books, records, documents needed during the examination? Is there an office manager?
3. What books and records are kept? Chart of accounts used? Double entry books used?
4. Who keeps the books and records? Who adjusts and closes the books? Who reconciles bank accounts? Are proper cutoffs observed at month-end and year-end? Are adjusting and closing entries available?
5. When are financial statements prepared? (monthly, annually) Who prepares them? What information is in the statements?

Have financial statements been given to others, such as banks, creditors, other businesses, etc.? Why? (Obtain copies)

Have the financial statements been restated for any reason?

Were the corporation's financial statements for the last 3 years audited by a public accountant?

If yes, were certified financial statements issued? (Obtain copies)

6. Is the accounting software a commercial product?
Name?

Do you receive technical support from the company for any problems encountered or are the problems fixed in-house? If in-house, by whom?
7. Does the taxpayer use the services of an accounting firm? Does the accounting firm also provide management and consulting services?

How does the accounting firm bill? (Annual retainer fee, retainer plus specific items fee basis, or specific item fee only)

Has the taxpayer changed CPA's? If so, why?
8. Have there been any prior audits by any federal, state, or other governmental agency?

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Business Operations

Describe the business operations during the year under exam, and what, if any, changes have occurred.

1. Is the practice specialized? Does the practice experience seasonal fluctuations?
2. Is the practice affiliated with any other veterinarians, clinics, emergency rooms, or hospitals?
3. Does the practice have a combined purchasing arrangement for inventory or supplies?
4. Who are the principal customers?
Has the business changed its means of producing income since incorporation?
How is new business obtained?
5. Do all veterinarians in the practice provide the same type of medical care?
6. Have there been any unusual or extraordinary events during the last three years? (Reorganizations, acquisitions, dispositions, or decline in income due to casualty, loss of prime client or supplier, or other economic or business conditions.)
7. Have you constructed or renovated any office, surgery, or animal holding facility? (capitalize interest)
8. Are there any plans in the future to expand or remodel?
9. Does the practice own or rent the building?
Is any part of the building leased to an independent contractor?
Is any portion of the building used for personal use?
10. Are the assets used in the business owned or leased? (That is, tables, chairs, desks, x-ray equipment) Is there an option to purchase?
11. How are appointments scheduled?
Is daily log or day sheet maintained?
12. What are the billing practices? (When services are rendered, monthly, or after insurance reimbursement?) Are all invoices pre-numbered, and are all numbers accounted for and used in sequence?
13. What kind of inventories and supplies are kept on hand?

How are sales of inventory billed? (Billed separately or as part of other services rendered?) (Is there a fee structure for high volume customers?)

Are they inventoried for book and/or tax purposes?
If not, why not?
If so, what is included?
Are physical inventories conducted?
What records are available?
14. Who opens the mail for the office or clinic?

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15. Is all cash received deposited?
If not, what is it used for and how is it accounted for?
Are any personal expenses paid by cash?
Are all checks deposited into the business account?
If not, what is procedure for check cashing?
How are non-deposited checks accounted for?
Who cashes checks?
Where are they cashed? (bank, check cashing business, other)
What is the cash used for?
Who makes deposits?
How far away is the bank?
Are duplicate deposit slips kept?
16. How is petty cash handled?
How are day accounts receivables handled?
How are credit card payments handled?
17. Who authorizes the purchase of major items?
Who authorizes write-offs?
18. Are personal funds of shareholders and officers kept completely separate from business funds?
Have the taxpayer/representative walk through a complete income transaction and a complete expense transaction. Prepare a flowchart as each is being described.

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Other Sources of Income

1. Are any of the veterinarians involved in lecturing, teaching, or speaking engagements? Fee scale?
2. Have any receivables been sold?
If so, provide full explanation and documentation?
3. Referral of patients to labs, clinics, emergency rooms, diagnostic centers (MRI, etc.), pharmacies?

Was any remuneration in the form of cash or other incentives received from the referral?

Is an interest owned in any operation to which referrals are made?
4. Is there a pharmacy located in the facility?
5. Is medication administered or prescribed by the veterinarian?
Cash payments or other incentives or benefits from drug companies?
6. Contracts with zoos, government agencies, unions, schools, or other organizations to provide veterinary medical services?
7. Payment to veterinarians by corporation for services other than medical services? (Directors' fees, etc?)
8. Do you perform surgery, etc. after hours?
9. Does the company furnish services in exchange for goods or services?
10. Have they ever received a cash payment of more than \$10,000?
Deposited?
Were Forms 8300 filed? (Secure copies).

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Employment Practices

1. **How many employees?**
Number and **type** of veterinarians on payroll:
Number and **type** of others:
2. **Number of assistants employed? Any student assistants?**
3. **Any contract workers?**
If yes, **determine if contract workers are employees or self-employed.**
4. **How are payrolls handled?**
Have all payroll returns been filed to date?
5. **Are 1099s issued to individuals for payments of \$600 or more?**
6. **When does the practice secure SSN's (W-4, W-9)?**
Have they ever received a notification letter from the IRS regarding no/invalid SSN/EIN number? If yes, what action was taken?
7. **Are any incentives (recruiting or other) provided to or received by veterinarians or other providers? If so, what type, who provided them and how are they reported?**

(Examples: interest-free loans; below-market interest rate loans; loan forgiveness; rent, purchase, or other payment in excess of fair market value [to veterinarian/shareholder]; provision of office and staff rent-free or below fair rental value; payment of personal expenses; repayment of student loans or other educational liabilities; income guarantees; bargain sales to veterinarians; payment of malpractice premiums; or malpractice payments not covered by insurance)

8. **Did the taxpayer (or shareholders) attend medical school on a scholarship?**
If so, did they complete the required service?

If the required service was not completed, has the scholarship been repaid with the required penalties?

Have any amounts been expensed through the corporation?

Did the taxpayer obtain a student loan (government or private) to attend undergraduate or veterinarian school? Repayment history?

Have any amounts been expensed through the corporation?

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