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Lane Gorman Trubitt, L.L.P.  
Accountants & Advisors

Your Accounting for a New Economy

# Top Tips to Help Avoid an IRS Audit

One of the greatest fears many small business owners have is that of an IRS audit. With the potential for substantial penalties building up across several years an IRS audit can present a real and considerable threat to the health of any small business.

While there's no way to guarantee your immunity from a federal audit, there are steps you can take to decrease your odds of being audited and make the process go smoother if your business is selected by the IRS for closer examination.

- **Use Accounting Software** – All too often small businesses use either an Excel workbook, or worse, no accounting software at all. It's hard to emphasize the importance of a robust, well-rounded accounting tool for all small businesses. The right software will help you maintain records of all necessary transactions and help ensure the consistency of financial transactions. If you're just starting out, you may want to use QuickBooks or a similar software package, but as your needs grow you may soon graduate to a more robust accounting solution.
- **Ensure Your Tax Preparer is Licensed** – If you're not currently using the professionals at Lane Gorman Trubitt, L.L.P. to prepare your taxes, you should be. While our professionals are licensed there are many unlicensed tax preparers offering their services who are not required by law to have any tax training. If your preparer is unlicensed this can sometimes attract the IRS' attention, and if a mistake is found it's your company that is liable, not your tax preparer. If you don't know if your preparer is licensed, ask. You are entitled to know if your company is at unnecessary risk.

- **Ask Questions** – Too many business owners don't take an interest in the preparation of their taxes. Not only should you be involved in the process, but it can also serve an additional purpose. By submitting a written set of questions to your tax preparer asking for additional information you demonstrate you are review and analyzing the tax documents submitted on your behalf.
- **Document Everything** – You should keep records and document all business expenses, but this is especially important for large deductions. Contact your banks and brokerages to ensure that you have all necessary documentation. It's vital that you have the ability back up you financial records with documentation. This can be a real life saver if you find yourself in the unfortunate position of facing an audit.
- **Maintain Your Financial Database** – If you receive a list of adjusted journal entries from your tax preparer it's imperative that you make the necessary changes to your own financial database. When discrepancies are discovered it can be difficult to go back and track down the correct numbers, particularly if a lot of time as passed. It's a much easier and better situation to make the changes as you go.

By implementing these tips and making them a part of your business you can help your company stay off the IRS' radar. And if you do find yourself in the midst of an audit you will be in a much better position. If you have any questions regarding your company's exposure to an IRS audit do not hesitate to contact your trusted LGT advisor or Brad Gross, tax partner at (214) 461-1406 or by email at [bgross@lgt-cpa.com](mailto:bgross@lgt-cpa.com).