

# PROGRAM FACT SHEET

Arizona Department of Revenue  
Audit Division

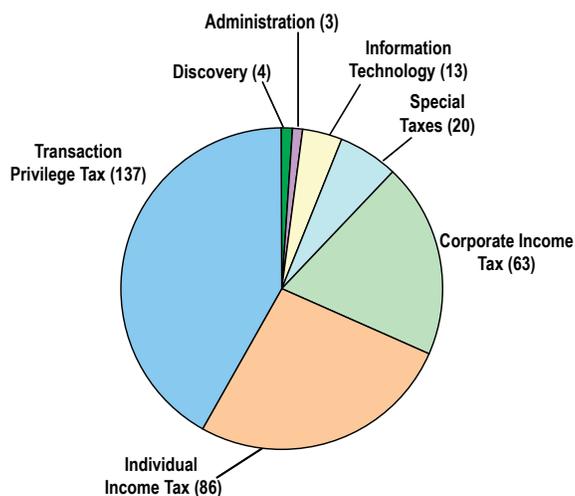
## Services:

The Audit Division helps ensure that the State receives tax monies owed to it. Auditing is a critical function because the State depends on taxpayers to voluntarily report and remit taxes in a timely manner. Therefore, auditing educates taxpayers, corrects differences between taxpayers' obligations and what they report and pay, and encourages compliance with tax laws. The Audit Division is organized into sections by tax type:

- **Corporate Income Tax**—Performs audits of corporate income tax returns to ensure compliance with Arizona's corporate income tax laws, regulations, and policies. This includes audits of national and multinational corporations, and limited audits such as reviews of the accuracy of corporate taxpayers' specific tax credits.
- **Individual Income Tax**—Performs audits of individual income tax returns and identifies individuals who should have filed returns. Also performs audits of partnerships and sub-S corporations, which are organizations structured like a corporation but whose taxes are paid by individuals.
- **Transaction Privilege and Use Tax**—Ensures that businesses have a transaction privilege tax license and promotes education in the area of use tax, which is a tax on personal property for which a transaction privilege tax was not paid, as well as performs transaction privilege (i.e., sales) tax audits. Also administers the Cities Program, which coordinates the administration, collection, and auditing of sales tax for those cities, towns, and counties that have entered into an agreement with the Department to provide these services.
- **Special Taxes**—Processes licenses for and/or audits several different smaller tax revenue sources. For example, the section administers liquor and tobacco taxes, and issues licenses for tobacco wholesalers. Also investigates complaints and violations of bingo laws and conducts workshops and consultations with bingo licensees.

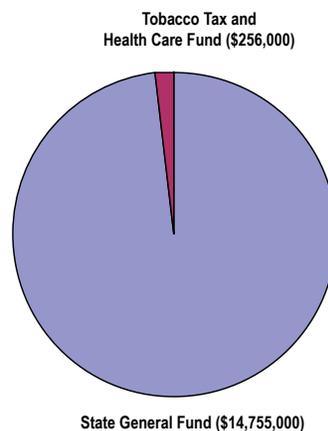
## Program staffing:

326 FTE as of February 2005, which included 30 vacancies



## Program revenue:

\$15 million (fiscal year 2005 estimate)



## Facilities:

The Division's staff are located in three offices state-wide. Specifically, division staff are located in the agency headquarters, which is a state-owned building at 1600 West Monroe in Phoenix, and in a state-owned building complex at 400 West Congress in Tucson. Finally, division staff are also located in a privately owned facility at 3191 N. Washington Street in Chandler, Arizona. The Division occupies 11,450 square feet of this 20,783-sq. ft. facility that the Department leases for \$283,426 annually, plus operating costs.

## Equipment:

The Division has typical office equipment, such as office furniture, computers, and printers.

## Mission:

To promote voluntary compliance by auditing, identifying common areas of noncompliance, and educating taxpayers.

## Program goals:

The Audit Division has adopted the Department's three goals and associated objectives. The goals are:

1. To maximize the return on investment.
2. To maximize customer and stakeholder satisfaction.
3. To maximize employee satisfaction.

## Adequacy of performance measures:

The Division's 38 performance measures appear to be generally appropriate and well-aligned with the 3 department goals. Although the Division developed 4 overall performance measures, the remaining 34 performance measures are specific to division sections. The Division and each section have a variety of performance measures, including output, outcome, quality, and efficiency measures.

Source: Auditor General staff analysis of unaudited financial schedules prepared by the Department of Revenue for the years ended or ending June 30, 2003 through 2005; the Department's 2004 annual report and strategic plan; the Department's organizational chart for the Audit Division; and other information provided by the Department.