



# Adjustments to Taxpayer Accounts

## Purpose

Policies governing adjustments to taxpayer accounts help ensure:

- Separation of duties
- Proper authorization of transactions
- Monitoring of activities affecting accounts

## Overview

To correct errors, adjustments to taxpayer accounts are routinely performed. Adjustments are also a tool commonly employed to conceal fraudulent acts. A legitimate need exists to be able to enter adjustments. However, because this ability facilitates the concealment of fraudulent behavior, entities should adopt policies to govern the use of taxpayer account adjustments.

## Implementation

Adopt a policy that establishes clear expectations. Include the ability to monitor and correct problems, as they arise. The following are elements of an effective policy governing adjustments to taxpayer accounts:

1. Identify who can make adjustments, apply credits, and issue refunds.
2. Identify who authorizes adjustments, credits and refunds.
3. Identify required documentation for each adjustment, credit, and refund.
4. Establish governing body and internal auditor review of adjustments, credits, and refunds.
5. Allow for the pre-authorization of adjustments below a set threshold for specified circumstances.