The income tax provision is calculated properly.

B. The income tax provision calculation is supported adequately.
C. The income tax provision classification is supported adequately.
D. The deferred tax asset is valued properly.
E. Tax reserve balances are adequate.
F. Tax reserve balances are supported properly.
G. Transactions and data relevant to the calculation of indirect taxes are identified in a timely manner.
H. Taxes are reported and remitted properly and in a timely /TT2 0626a16.7 (e)-37.2 n30.7 (x)21.3 (a)0.5 8r.
J. Tax planning is consistent with corporate goals and values.
K. Internal and external tax communications are consistent with corporate policies and direction.

Reliability of financial reporting

A. Tax accounts are properly stated in the general ledger.
B. Approved general ledger adjustments are input for processing completely and accurately.
C. Approved changes to standing data are input for processing completely and accurately.

# UNIVERSITY OF TOLEDO INTERNAL AUDIT DEPARTMENT
# MANAGE THE TAX FUNCTION

**A. The income tax provision is calculated properly.**

**Business risks**

Income tax provisions will be calculated improperly, leading to inaccurate financial statement disclosure.

**Control practices**

1. Document the process for preparing and reviewing the tax provision.
2. Require knowledgeable tax personnel to maintain a record of permanent differences and credits, reviewing it regularly for completeness and accuracy.
3. Establish a procedure to identify and maintain updated tax rates for all jurisdictions.
4. Prepare rate reconciliations for each jurisdiction in a timely manner, and match material components with source documents.
5. Identify promptly transactions generating permanent differences.
6. Promptly inform those preparing the tax provision of the tax implications of all non-routine transactions.
7. Involve the tax department in major or unusual business transactions, such as acquisitions and entrances into major new jurisdictions.
8. Ensure that appropriate personnel approve changes to any system or spreadsheet used in computing the tax provision.

**B. The income tax provision calculation is supported adequately.**

**Business risks**

The tax provision audit trail will not sufficiently support the provision calculation.

**Control practices**

1. Record properly any transaction that generates permanent differences.
2. Maintain sufficient schedules to support the calculation of current and deferred tax provision by jurisdiction.
3. Prepare a reconciliation of provision to actual return in a timely manner and record differences properly.
4. Implement controls to determine if profits from foreign operations are either permanently reinvested or repatriated and identify any differences between the equity value and tax basis that may signal the need to pay deferred taxes.

**C. The income tax provision classification is supported adequately.**

**Business risks**

Tax provisions will be classified improperly.
The tax provision classification will not be supported adequately.

**Control practices**

1.

**E. Tax reserve balances are adequate.**

**Business risks**

Tax reserves will not sufficiently cover actual tax costs.
Tax reserves will be overstated, tying up more cash than necessary.

**Control practices**

1. Establish procedures for identifying aggressive tax positions and maintaining adequate reserves in each business unit and jurisdiction to cover potential liability for unsuccessful tax positions.
2. Review exposure calculations with management along with a detailed list of reserves.
3.

**G. Transactions and data relevant to the calculation of indirect taxes are identified in a timely manner.**

**Business risks**

Indirect tax calculations will be inaccurate.

**Control practices**

1. Require knowledgeable tax personnel from the collecting party to evaluate transactions for indirect tax receivables on a timely basis.
2. Require knowledgeable tax personnel from each paying party to evaluate transactions for indirect tax obligations on a timely basis.
3. Require knowledgeable tax personnel to identify and reevaluate significant changes to transactions.

**H. Taxes are reported and remitted properly and in a timely manner.**

**Business risks**

The company will incur penalties from tax authorities because taxes are not reported properly or in a timely manner.

The company will incur penalties from tax authorities because taxes are not remitted properly or in a timely manner.

Taxes reported and remitted will not p(n)4.2 (e)-21.7 .1 (itte)9u12.5[(T5 (y)pitie)-21 (e)0.5rmao-aeso- r9

# UNIVERSITY OF TOLEDO INTERNAL AUDIT DEPARTMENT
# MANAGE THE TAX FUNCTION

## I. Senior management is informed of and understands significant tax issues and positions.

### Business risks

Senior management will not understand significant tax issues and positions.
Senior management will not be able to speak intelligently to the public about the company's tax-related activities.
Tax activities will not align with overall corporate objectives and values.

### Control practices

1. Require regular communication from the tax department to senior management documenting the tax department's planning objectives and significant tax issues.
2. Require senior management approval of significant tax strategies.

## J. Tax planning is consistent with corporate goals and values.

### Business risks

Tax planning will not align with corporate objectives.
Tax planning will not be consistent with corporate values.
The company will engage in illegal activities to enhance the company's tax position.
Stakeholders will question the company's financial integrity.

### Control practices

1. Require approval by management outside the tax department for transactions initiated by the tax department.

**B. Approved general ledger adjustments are input for processing completely and accurately.**

**Business risks**

General ledger adjustments will be made inaccurately, for instance, for the wrong amounts, to the wrong accounts, or in the wrong period.

Tax disclosures will be unreliable, leading to tax authority penalties or stakeholder mistrust of financial reports.

**C. Approved changes to standing data are input for processing completely and accurately.**

**Business risks**

Standing data will be incomplete or inaccurate.
Tax disclosures will be inaccurate, leading to tax authority penalties or stakeholder mistrust of financial reports.
Duties will not be segregated adequately, increasing the likelihood of accounting fraud.

**Control practices**

1. Require that an appropriate official approve changes made to standing data prior to input.
2. Require sufficient documentation to support each change made to standing data.
3. Compare reports following inputs and updates to appropriate source documents for the change, in a one-to-one check for completeness and accuracy. Resolve discrepancies and subject the reentered data to the same control procedures.
4. Configure the accounting system to produce a report of changes in specified types of standing data or changes falling outside defined parameters.
5. Configure the system to accept specified types of changes only after receiving appropriate management approval.
6. Require personnel responsible for standing data to regularly review the data and enter any required changes using standard procedures for changing standing data.
7. When batch totals are used, separate input documents into groups and calculate numerical totals of the quantity of documents, dollar amount, hash items. Compare these totals to reports following inputs and updates and research and reenter out-of-balance conditions in a timely manner.
8. Segregate duties involved in updating of standing data from those required for maintaining financial records.
9. Investigate and resolve exceptions to segregation-of-duty controls.

## UNIVERSITY OF TOLEDO INTERNAL AUDIT DEPARTMENT
## MANAGE THE TAX FUNCTION

**D. Tax disclosures and reporting are complete and accurate.**

**Business risks**

Tax disclosures will be incomplete or inaccurate.
Tax disclosures will fail to comply with tax authority requirements, increasing the likelihood of adjustments and penalties by tax authorities.
Stakeholders will question the company's financial integrity.

**Control practices**

1. Assign appropriate resources to monitor current generally accepted accounting principles (GAAP) and tax authority disclosure requirements and to determine the impact of changes in a timely manner.
2. Communicate changes in disclosure requirements to all affected parties in a timely manner.
3. Disclose transactions considered by the IRS to be tax shelters, even though the transactions would otherwise not appear to be tax shelters.
4. Ensure that the determination of the annual effective tax rate for use in quarterly filings is accurate.
5. Ensure that changes to any system or spreadsheet used to accumulate tax data are reviewed and approved.

**E. Unauthorized access to the accounting records is deterred and detected.**

**Business risks**

Access to key systems will not be controlled adequately, increasing the risk of accounting fraud.
Inaccurate accounting records will lead to inaccurate tax disclosures.

**Control practices**

1. Use access controls, such as user IDs and passwords, specific to each application.
2. Ensure that multiple failures to log on to an application invalidate a user ID and result in an exception report.
3. Require management to investigate and resolve all exceptional items reported.
4. Require formal authorization by personnel responsible for specific accounting records for access to the application.
5. Require management to review access rights periodically to ensure that only authorized individuals have access and that segregation of duties is maina-16.7 e nta ecatualsndihttio(n)-64 (o)-

Compliance with applicable laws and regulations

**A. The company complies with tax laws, regulations, and judicial decisions.**

**Business risks**