

# Audit Defense & Refund Recovery

## Davis Outperforms Goliath

Davis Davis & Harmon LLC (DDH) was tapped to take over an audit from a Big 4 consulting group that had lingered for over five-years.

Client was selected for a routine sales/use tax audit and hired a Big 4 consulting group to manage the audit. Because the audit lingered over five-years in the hands of the Big 4 firm, the auditor closed the audit reflecting a huge tax liability which was later appealed. **DDH was hired during the appeals process to defend the audit.**

### AUDIT DEFENSE

DDH successfully reduced audit assessment from \$22M down to \$2M.

### REFUND RECOVERY

DDH successfully obtained a net \$11M refund in the second audit.

### COST SAVINGS

DDH implemented a refund recovery strategy which maximized the clients returns.

Audit turn-around time for this state was reduced from five years to two years providing immediate interest savings.

### Challenge

- **The corporation was assessed \$22 million during the audit.**
- The auditor was opposed to reducing or removing any dollars from the audit due to the lack of cooperation from the predecessor Big 4 consultants.
- The auditor became frustrated with predecessor Big 4 consultants and was unwilling to allow additional time to resolve audit issues during the appeals process.

### Solution

DDH fostered a more collegial and less combative relationship with the auditor to facilitate the defense of the audit.

DDH performed a thorough review of the records for items being assessed in the audit to identify a legal basis to remove transactions from the audit.

**DDH successfully reclassified sales and purchase transactions assessed in the audit to nontaxable.**

DDH implemented a strategy to include refund reviews within the scope of the audits.

### Results

DDH was successful in getting the auditor to agree to allow time to prepare a proper audit defense.

**DDH successfully reduced the \$22M audit assessment down to approximately \$2M.**

DDH was engaged to manage the next audit for the same state, which resulted in a **net refund of approximately \$11M.**

DDH has reduced audit completion time for this state from five-years to under two-years.