

W. RALPH SOMMERS, EA
TAX & BUSINESS SERVICES

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IMPORTANT INFORMATION
RECORDKEEPING AND DATA

Dear Valued Friend and Client:

Although each business is unique, our approach to developing work-papers and data analysis to complete your financial statements and/or tax return is fixed. We follow due-diligence guidelines required by IRS Circular 230. These guidelines are strict and require us to prepare your returns based on the following procedures and items you must **provide** us with either **monthly, quarterly or annually**:

- Bank Analysis – Proof of Cash – beginning and ending and summary of cash deposits and disbursements are prepared from your **bank statements** including **deposit tickets** and **cancelled checks** or **copies of checks**. Also included in the analysis we need to determine the **payee** and **type of expense** for all **debit transactions**.
- Sales/Income – deposits made to business accounts should reflect all your income. However source documents to support those deposits are required and the mere fact monies were deposited will not support an IRS or NYS audit. Our office should be reviewing your **invoices to customers** or in the case of retail sales a **summary of cash register transactions** that tie into the operating account deposit or **merchant statement**. Service companies should be creating invoices that would tie into deposits. All records should reflect discounts and refunds as well.
- Expenses – again the operating account **cancelled checks** should clearly state the **type of expenditure** (office, insurance etc). If your business uses a business credit card and/or a personal credit card the monthly **credit card statements** are needed reflecting the **type of expenditure** as well.
- Cash Paid Out – we understand the need for business owners to sometimes use cash to pay expenses for the business. To support those deductions the bookkeeper/owner should prepare a **monthly listing** of the date, payee and **type of expense**. Please keep receipts in monthly folders in your office to support your summary. We do not normally organize these for you.

- Capital Expenditures – purchases of equipment and large expenditures are required to be depreciated and our office develops depreciation schedules for those items. Be sure to provide **bills of sale** and **financing agreements** for those items.
- Notes and Loans – if your firm has bank loans, lines of credit or home equity loans that are used for operating your business we account for those from your **promissory notes, annual loan statements and 1099 forms**.
- Payroll – we do not need weekly statements however we do need copies of your **quarterly federal and state filings** (941, NYS-45) and your annual **W2/W3**. In the case of sub-contractors we need **1099MISC/1096** or if we prepare them for you a copy of **W-9, subcontract agreements, insurance certificates** and **annual amounts** paid to subcontractors.

Sincerely,

W. Ralph Sommers, EA

Maureen Engstrom, EA