

AUDIT COMMITTEE MEETING

SAN DIEGO, CALIFORNIA

MARCH 14, 1996

PUBLIC SESSION

I. CALL TO ORDER

Tom Atchley called the meeting to order at 1:00 PM and welcomed members and guests.

II. ROLL CALL

Present were the following members and guests:

AR. Tom Atchley	CA. Paul Usedom
NM. Cindy Stearns	NJ. Joe Thiel
KS. Tom Sheridan	NJ. Lee Evans
MO. John Feldman	MA. Rick Barkey
UT. Rod Marrelli	UT. Kim Ferrell
AL. Peter Petrillo	MI. Joe Tomczyk
ID. Dick McFarland	NE. Shawn Sookram
MN. Larry Wilkie	ND. Bob Wirtz
CO. Bob Glidden	WA. Forrest Bush
MO. Dave Metzler	KY. Don Beauchamp
KY. Larry O'Nan	MT. Steve Austin
KY. Jennifer Hayes	ID. Joe Randall
MN. Kathleen Stewart	MTC. Dan Bucks
MTC. Les Koenig	MTC. Harold Jennings
MTC. Cathy Bernot	MTC. Jeff Silver

III. APPROVAL OF MINUTES

The minutes of the November 7, 1996 Audit Committee in Washington, DC were accepted as submitted.

IV. COMPUTER ASSISTED AUDIT SUB COMMITTEE REPORT

The Computer Assisted Audit Sub Committee met on March 12, 1996 and submitted a written report to the Audit Committee. A copy of that report is attached as Exhibit A. The Audit Committee discussed the report and gave approval to instigate "phase 1" of the plan. This phase consists of acquiring ACL Software to convert taxpayer's electronic records to audit compatible software. This phase will also include purchasing tape drives to accomplish this data conversion. The total cost of this phase will be about \$20,000 which will be funded through the "MTC Automation Plan Budget". It is anticipated that this phase will be accomplished before the end of fiscal year end June 30, 1996.

There was further discussion regarding developing application software for auditors. Dan proposed that the some states may want to develop software jointly thereby sharing in the cost of such development. Dan suggested that the total cost to develop such software may run about \$200,000 and it may be cheaper to share such costs. There was a general consensus among the committee members that even though the cost may indeed be shared by the states, it would be difficult to obtain funding for this project through the state's budgets.

A suggestion was made that the MTC monitor the work that individual states are doing regarding developing applications software and that the states may share results of such development.

It was also suggested that the MTC host a session during the Annual Meeting for several states to discuss the application software being used by their auditors. Les and Harold will investigate this possibility.

V. AUDIT DIRECTOR'S REPORT

The Audit Director reported on the status of the two pilot programs. The Regional Audit Program is at the appointment stage. Each of the four states reported that they have an appointment with a taxpayer. The date of completion for these audits has been moved to December 31, 1996. The Joint Property Tax Audit Program has also moved forward. An audit authorization on one company has been sent to each state participating in the project. The audit hopefully will be performed in the fall of 1996.

VI. AUDIT ISSUES AND CASE DISCUSSIONS

The prior day's discussions were analyzed by the Audit Committee. There was a general consensus that the day was productive and we should do it again next year. There were several suggestions to improve the meeting. All the suggestions had implications that the

Audit director distribute a recap of all the cases to be discussed to each of the participants prior to the meeting.

VII. NEW BUSINESS

The only item of new business was to vote on next spring's meeting site. Charleston, South Carolina received 9 votes, Albuquerque, New Mexico received 5 votes and San Diego, California received 1 vote. Since Charleston was the choice of the Uniformity Committee, that will be the site of next year's meeting.