MINUTES
AUDIT COMMITTEE MEETING
PUBLIC SESSION
SAN DIEGO, CALIFORNIA
MARCH 17, 2004

I. CALL TO ORDER:

Rich Schrader, Audit Committee Chairman called the meeting to order at 1:00 PM and welcomed the members and guests who were present.

II. ROLL CALL:

Present were the following members and guests:

<table>
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<tr>
<th>NJ Rich Schrader</th>
<th>KY Jennifer Hayes</th>
<th>AK Robyn Wilson</th>
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<tr>
<td>MI Sue Pifer</td>
<td>MO John Feldmann</td>
<td>WA Tremaine Smith</td>
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<tr>
<td>ID Joe Randall</td>
<td>ID Dick McFarland</td>
<td>ND Blane Braunberger</td>
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<td>ND Mary Loftsgard</td>
<td>NE Shaun Sookram</td>
<td>MN Larry Wilkie</td>
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<td>MT Gene Walborn</td>
<td>OR Janelle Lipscomb</td>
<td>OR Eric Smith</td>
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<td>UT Frank Hales</td>
<td>UT Rod Marrelli</td>
<td>WI Rick DeBano</td>
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<td>MTC Dan Bucks</td>
<td>MTC Harold Jennings</td>
<td>MTC Cathy Felix</td>
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<td>MTC Les Koenig</td>
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Present through teleconference:

| MTC Steve Yang | AR Danny Walker | AL Louis Mills |

III. PUBLIC COMMENTS:

There were no comments from the public sector.
IV. **APPROVAL OF MINUTES OF PUBLIC SESSIONS WASHINGTON, DC**

The minutes from the Washington, DC public session held on October 14, 2003 were reviewed and noted that Robyn Wilson was not listed as in attendance at the meeting. The minutes were approved with this one correction.

V. **REPORT FROM EXECUTIVE COMMITTEE LIAISON**

Carol Fischer was unable to attend the meeting and no report was given.

VI. **EXECUTIVE DIRECTOR'S REPORT**

Dan Bucks, MTC Executive Director thanked the Audit Committee for the approval to conduct a special audit on behalf of some additional state not in the MTC Audit program. The balance of his report was given in the closed session.

VII. **REPORT ON TAX COMPLIANCE INITIATIVE**

Dan Bucks, MTC Executive Director reported on the three work groups that were established to examine the problems in state taxation. One group is focusing on problems in the sales and use tax area. One group is working on problems in the Business Activity Taxes. The third group is working on problems in the Pass Through Entity area. Dan explained that the three groups have made significant progress and hope to have preliminary proposals during the spring Executive Committee Meeting.

VIII. **AUDIT DIRECTOR'S REPORT**

Les Koenig, MTC Audit Director issued a written report on the status of the Audit program. Les reported that 3 sales tax audits were completed during the second quarter of the fiscal year. He also reported that two additional income tax auditors were hired in December to fill vacancies in the Chicago Office.

IX. **REPORT FROM AUDITING TECHNOLOGY SUB-COMMITTEE**

Harold Jennings reported for Bruce Christensen on the sub-committee’s meeting on March 15, 2004. Bruce was not able to attend the Audit Committee Meeting. Harold reported that Tremaine Smith gave a demonstration of Washington’s Data Warehousing System. Harold and Bruce updated the Sub-Committee on the progress of Audit Certification Standards for the SSTP project. Finally, Harold distributed a draft of the MTC Audit Sampling Manual. Harold asked the states to review the manual and offer any comments to him.
NEW BUSINESS AND ADJOURNMENT

The Audit Committee voted on a location for the spring 2005 meeting. The first preference was to hold the meeting in conjunction with the FTA Compliance Workshop in Tampa in March 2005. The second option was to return to San Diego next year. The public session of the Audit Committee was adjourned at 2:20PM.