



**Report of the Audit Committee and Audit Program
July 2018**

**Frank Hales, Chair, MTC Audit Committee
Lee Baerlocher, Vice Chair, MTC Audit Committee
Keith Getschel, Director, MTC Joint Audit Program**

The following report reflects the activities of the MTC Audit Committee and the Audit Program for the 2018 fiscal year ended June 30, 2018.

*** AUDIT COMMITTEE ***

The audit committee has met three times in fiscal year 2018. The audit committee met on July 31, 2017, in Louisville, Kentucky. This was the first meeting of the committee in fiscal year 2018. There were 59 members, guests and staff present during the public session and 59 members and staff present during the closed session of the meeting. There were no members of the public present during the public session, and there were 50 individuals representing 20 audit program states present during the closed session of the meeting.

The audit committee also met on November 15, 2017 in New Orleans, Louisiana. There were 58 members, guests and staff present during the public session and 54 members and staff present during the closed session of the meeting. There was one member of the public present during the public session, and there were 44 individuals representing 21 audit program states present during the closed session of the meeting.

The third and final meeting of the audit committee in fiscal year 2018 was in Bloomington, Minnesota, on April 24, 2018. There were 55 members, guests, and staff present during the public session and 48 members and staff present during the closed session of the meeting. There was one member of the public present during the public session, and there were 40 individuals representing 22 audit program states present during the closed session of the meeting.

During all the meetings the audit committee reviewed the status of all the audits in progress. A discussion was held on several income tax and sales tax audits that had significant issues.

At the meeting in Louisville Kentucky, the audit committee reviewed the sales tax audit nominations and voting results and moved to add eight new companies into the MTC sales tax audit inventory.

During the meetings in New Orleans and Bloomington, Bruce Fort, MTC staff attorney, gave a presentation on recent happenings in the State and Local Tax area. This was very well received and has become a semi-regular part of the committee meeting.

As is customary, the audit committee ended all the meetings with a round table discussion regarding audit leads and issues that individual states are experiencing.

The next meeting of the audit committee will be held during the MTC annual meeting in Boston, Massachusetts, July 23rd through July 26th.

*** AUDIT PROGRAM ***

1. Productivity

The Audit Program has completed two corporate income tax audit and parts of ten other corporate income tax audits for fiscal year 2018. The Audit Program also completed six sales tax audit and parts of five other sales tax audits for fiscal year 2018. Currently, there are twenty-two (22) income and thirty-one (31) sales tax audits in progress.

The MTC Audit Program has proposed assessments of \$45,814,096 for the completed corporate income tax audits and \$2,495,249 for the completed sales tax audits for fiscal year 2018.

2. Staffing

I am very pleased to announce that Effective January 1, 2018, Larry Shinder was promoted to an audit supervisor. During our meeting in Bloomington, Minnesota, we celebrated the many years of service that Harold Jennings provided to the Commission. We are sad to see him leave the Commission, but are happy for him and wish him the very best in his retirement. Also, we were able to hire another sales tax auditor, Kim Stewart. Kim comes to us from the Kansas Department of Revenue and will begin her career with the Commission on August 1, 2018.

3. Audit Committee

The audit committee met three times during the fiscal year 2018. The first meeting was held during MTC annual meeting event on July 31, 2017, in Louisville, Kentucky. The second meeting, fall meeting, took place in New Orleans, Louisiana, on November 15, 2017. The third meeting, spring meeting, took place in Bloomington, Minnesota, on April 24, 2018.

4. Training

The Commission held an all staff retreat in Itasca, Illinois, August 15 and 16, 2017. The retreat ended at noon on the 16th. That afternoon we begin training for the audit staff and that training continued through August 17th

On September 26 and 27, 2017, we provided the Vermont Department of Taxation Income Tax training. This was very specific training for Vermont, geared to specific issues encountered during audit. Larry Shinder and Bruce Fort provided this training.

On March 20 through 23, 2018, we held a Corporate Income Tax training class in Atlanta, Georgia. Cathy Felix and Larry Shinder provided the training for the audit portion of the class. Bruce Fort provided the training for the legal portion of the class.

We held a Computer Assisted Audit Techniques Using Excel class on July 11 and 12, 2018 in Hoover, Alabama. Bob Schauer and Harold Jennings were the instructors for this class.



TRENDS IN PRODUCTIVITY
MTC JOINT AUDIT PROGRAM
AUDIT HOUR ANALYSIS
6/01- 6/18

	6/01	6/02	6/03	6/04	6/05	6/06	6/07	6/08	6/09	6/10	6/11	6/12	6/13	6/14	6/15	6/16	6/17	6/18
Income Tax Total Audits	8	7	8	7	7	9	7	7	3	6	6	4	5	6	5	4	4	2
Total States Audited	131	166	165	266	196	175	141	209	79	152	309	131	150	103	79	64	76	35
Total Hours	8684	9396	10556	12012	12617	12514	9361	17570	6440	10445	25649	11937	12836	14413	11136	12893	7925	7469
Average Hours Per State	66	57	64	45	64	72	66	84	81	69	83	91	86	139	141	201	104	213
Sales Tax Total Audits	14	13	11	10	11	6	15	9	10	12	5	5	12	6	4	11	8	6
Total States Audited	158	159	145	154	160	77	187	97	120	147	65	59	163	63	48	108	76	66
Total Hours	11900	8850	8792	10943	6133	4946	13296	7818	7265	10772	7200	5000	13195	6570	5121	18155	12267	8133
Average Hours Per State	75	56	61	71	38	64	71	80	61	73	110	85	81	104	106	168	161	123
Total Both Taxes Total Audits	22	20	19	17	18	15	22	16	13	18	11	9	17	12	9	15	12	8
Total States Audited	289	325	310	420	336	252	328	306	199	299	374	190	313	166	127	172	152	101
Total Hours	20584	18246	19348	22955	18750	17460	22657	25388	13705	21217	32849	16937	26031	20983	16257	31048	20192	15602
Average Hours Per State	71	56	62	55	56	70	69	83	69	71	88	89	83	126	128	180	133	154