



MULTISTATE TAX COMMISSION

To: Members, Executive Committee

From: Frank Hales, Audit Committee Chair
Lee Baerlocher, Vice Chair

Date: April 24, 2017

Subject: Report of the Audit Committee

The audit committee has met three times in fiscal year 2017. The first meeting was in Kansas City, Missouri on July 25, 2016. There were 46 members, guests and staff present during the public session and 47 members and staff present during the closed session of the meeting. There was one member of the public present at the public session, and there were 40 individuals representing 22 audit program states present during the closed session of the meeting.

The second meeting was held in Houston, Texas on December 13, 2016. There were 48 members, guests and staff present during the public session and 47 members, and staff present during the closed session of the meeting. There were no members of the public present at the public session and there were 39 individuals representing 22 audit program states present during the closed session of the meeting.

The third meeting was held in San Diego, California on March 9, 2017. There were 38 members, guests and staff present during the public session and 34 members, and staff present during the closed session of the meeting. There were two members of the public present at the public session and there were 27 individuals representing 21 audit program states present during the closed session of the meeting.

During the meeting in Kansas City the audit committee reviewed a proposed audit evaluation survey for the audit program and moved forward with that project. The audit committee reviewed the status of all the audits in progress. A discussion was held on 16 income tax and 6 sales tax audits that had significant issues. This discussion included a recommendation from one of the MTC auditors to close one of the audits based on the program's early closure guidelines. The committee took action to approve this recommendation. As customary, the audit committee conducted a round

table discussion regarding audit leads and issues that individual states are experiencing.

During the meeting in Houston the audit committee approved the final draft of an audit satisfaction survey, which the audit program began using on completed audits at the start of the calendar year. The audit committee discussed the continued problem with statute deadlines and decided to have the audit program audit the two most currently filed tax years with the third year being the returned filed during the audit process. The committee reviewed the income tax nominations and voted to add ten nominated companies into the audit inventory. The committee reviewed the status of all the audits in progress.

During the meeting in San Diego the audit committee discussed closing one of the audit program audits. After the discussion the committee recommended closing the audit pursuant to the early audit closure provisions. The audit committee also discussed the sales tax audit program results. Overall, there was a common understanding that the results of the sales tax audits would not compare to the income tax audit results and the committee was satisfied with the sales tax audit results. As usual, the committee reviewed active cases and held the states' round table discussion.

The next meeting of the audit committee will be held during the MTC annual meeting in Louisville, Kentucky, July 31st through August 3rd.