MINUTES
AUDIT COMMITTEE MEETING
PUBLIC SESSION
WHITEFISH, MT.
JULY 26, 2011

I. CALL TO ORDER:

Janielle Lipscomb, 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>OR Janielle Lipscomb</th>
<th>AL Chris Sherlock</th>
<th>AR Walter Anger</th>
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<tr>
<td>NM Rebecca Abbo</td>
<td>ID Bob Geddes</td>
<td>ID Randy Tilley</td>
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<td>ND Ryan Rauschenberger</td>
<td>ND Ryan Peyerl</td>
<td>ND Mary Loftsgard</td>
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<td>MT Mark Schoenfeld</td>
<td>MT Lee Baerlocher</td>
<td>MT Gene Walborn</td>
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<td>MT Shelly Bradford</td>
<td>SD Andy Gerlach</td>
<td>LA Earl Millet</td>
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<td>WI Rick DeBano</td>
<td>WI Julie Christensen</td>
<td>AK Robynn Wilson</td>
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<td>OR Gary Humphrey</td>
<td>CO Roxy Huber</td>
<td>NC Lennie Collins</td>
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<td>ND Miles Vosburg</td>
<td>MTC Les Koenig</td>
<td>MTC Tom Shimkin</td>
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<td>MTC Ken Beier</td>
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Present via teleconference:

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<th>GA Anita DeGumbia</th>
<th>IL Dan Hall</th>
<th>NE Scott Spilinek</th>
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<td>KS Bryan Vargas</td>
<td>KS Mike Boekhaus</td>
<td>NJ Colleen Chapman</td>
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<td>KS Pat Verschelden</td>
<td>LA Peggy McKinley</td>
<td>MO Scott Leary</td>
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<td>MJ Marilyn Campbell</td>
<td>MN Keith Gitschel</td>
<td>MN Jeff Vogt</td>
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<td>NM Dan Armor</td>
<td>UT Frank Hales</td>
<td>NM Louis Gomez</td>
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<td>UT Kim Ferrell</td>
<td>TN Stacy Gibson</td>
<td>WA Mike Grundhoffer</td>
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<td>WV Andrew Glancy</td>
<td>MTC Harold Jennings</td>
<td>MTC Jeff Silver</td>
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<td>MTC Steve Yang</td>
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III. PUBLIC COMMENTS:

There were no comments from members of the public present at the meeting.

IV. APPROVAL OF MINUTES PUBLIC SESSION:

The minutes of the public session of the Audit Committee of March 3 2011 in Kansas City were approved.

V. AUDIT DIRECTOR’S REPORT

Les Koenig, MTC Audit Director issued a written report on the status of the Audit Program. The MTC Audit Program completed 5 and parts of 5 sales tax audits and 6 and parts of 4 income tax audits for fiscal year end 6/11.

VI. NEW BUSINESS AND ADJOURNMENT

Janielle Lipscomb led a discussion on the SWOT process for the Audit Committee. A summary of this discussion follows.

- Audit Process
  - At times there are very short statutes when the state receives the audit package
  - After state reviews the audit package, may need to have the MTC auditor answer questions, get additional information or correct errors
  - Need to let the states know what was asked and what the response was
  - Need a checklist of what is expected from the audit
  - Taxpayer is slow in providing documentation
    - Need to start using the demand letter and subpoena more
  - Need an audit timeline to keep audits from going on for years
  - Taxpayers claim that states re-audit after they receive MTC audit package
    - Need to have a listing of audit process both at the MTC level and the state level
    - States say that when they send the taxpayer the proposed audit report, the taxpayer then sends them more information
    - States will give taxpayer another chance to provide documentation as this cuts down on appeals
  - States are slow to respond to MTC queries which adds time to the audit
  - Explore assigning team of auditors at the beginning of the process in order to get the difficult audits completed faster

- Workpapers
  - Include the IDR
  - Need more transparency of what is included in workpapers and supporting documents
  - Need more substantial narratives/explanations of adjustments
• Need the entire audit file, especially for appeals

• Nominations
  o Need to establish guidelines for what is a “good” MTC audit vs. what is a good audit for the state
  o Need MTC to do audits where it is difficult for the state to get documents
  o Make sure all states are fairly represented in the final audit selections
  o Process is too long, find ways to simplify the process (may work for the income tax audits but doesn’t work for the sales tax audits)

• Technology
  o Post entire audit file to a secure website where the state can access it
  o Move towards paperless audits
  o Need ability for states to connect with each other
    ▪ Give state representatives an MTC e-mail address
  o E-mail system needs to be fully functional
    ▪ Leave e-mails for more than 14 days
    ▪ Ability for states to forward e-mail to their staff
  o Need updated information in the materials that Les gives for the meeting

Janielle asked for volunteers to serve on a committee to prioritize the changes to work on for the MTC audit program. The following people were named to this committee; Janielle Lipscomb, Randy Tilley, Robynn Wilson, Rick DeBano, Harold Jennings and Les Koenig.

The public session of the audit committee adjourned at 1:50PM