

Annual Report of the Audit Committee and Audit Program



**Multistate Tax Commission
July 2013**

**Rick DeBano, Chair, MTC Audit Committee
Frank Hales, Vice Chair, MTC Audit Committee
Les Koenig, Director, MTC Joint Audit Program**

The following report reflects the activities of the MTC Audit Committee and the Audit Program for the 2012-2013 fiscal year.

*** AUDIT COMMITTEE ***

The audit committee met three times in fiscal year 2013. They first met on July 31, 2011 in Grand Rapids, Michigan. There were 47 members, guests and staff present at the meeting. There were 36 individuals representing 24 audit program states present. There were no members of the public present at the meeting.

The audit committee reviewed the status of all the audits in progress. A discussion was held on 14 income tax and 3 sales tax audits that had significant issues. The audit committee expressed its satisfaction with the status of the audits in progress.

The audit committee conducted a round table discussion regarding audit leads and issues that individual states are experiencing.

Five individuals from the audit committee met on August 2 and 3 with Elizabeth Harchenko as part of the compliance subcommittee to recommend issues to bring to executive committee to improve the audit program. Also in attendance were Les Koenig, Harold Jennings, Cathy Felix and Larry Shinder representing the MTC audit program.

The audit committee met a second time via a teleconference on November 29, 2012 with 41 members, guests and staff present. There were 35 individuals representing 25 states present for the meeting. A report on two separate committees for strategic planning was given. The 2 committees are audit

selection and no change audits. These two committees continue to meet and will have reports ready for the March audit committee meeting.

The audit program reported on numerous audits in progress and the audit committee expressed satisfaction with the status of the audits. The audit committee also selected 16 companies for sales tax audits for the MTC audit program.

The audit committee met in person a third time on March 7, 2013 in St Louis. There were 52 members, guests and staff present in person or via a teleconference. There were 38 individuals representing 21 states present at the meeting. The majority of the time was spent discussing the 2 strategic plans under way. Recommendations from the full committee were given to the 2 committees working on these projects. The audit committee also spent time during the closed session discussing audits in progress.

The committee on audit selection and the committee on no change audit each met several times via a teleconference during the period of November 2012 through June 2013.

*** AUDIT PROGRAM ***

PRODUCTIVITY

Audit Program completed 5 and parts of 9 income tax audits for fiscal year 2013. The Audit Program also completed 12 sales tax audits and parts of 4 other audit for the same period. There are 22 income and 31 sales tax audits in progress. There were several income and sales tax cases that were delayed by the taxpayers due to turn over in their tax staffs or taxpayers being sold.

The MTC Audit Program proposed assessments of \$36,337,606 for income tax and \$11,348,429 for sales tax.

STAFFING

Alexis Douglas was hired to fill vacant sales tax position in December. The vacant administrative assistant position was filled by Michelle Becker in December.

TRAINING

Jeff Silver and Larry Shinder participated as instructors in an income tax course in Montana in October, 2012. Jeff and Cathy Felix participated in an income course in Hawaii in January. Also, Harold Jennings and Bob Schauer

participated in sampling classes in New Mexico in September 2012 and Alabama in February 2013. Les Koenig conducted income tax training in Michigan in April 2013

TRENDS IN PRODUCTIVITY
MTC JOINT AUDIT PROGRAM
AUDIT HOUR ANALYSIS
6/97- 6/13

	6/97	6/98	6/99	6/00	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
Income Tax Total Audits	10	9	7	10	8	7	8	7	7	9	7	7	3	6	6	4	5
Total States Audited	152	120	186	251	131	166	165	266	196	175	141	209	79	152	309	131	150
Total Hours	12249	10012	10060	13133	8684	9396	10556	12012	12617	12514	9361	17570	6440	10445	25649	11937	12836
Average Hours Per State	81	83	55	52	66	57	64	45	64	72	66	84	81	69	83	91	86
Sales Tax Total Audits	14	10	16	11	14	13	11	10	11	6	15	9	10	12	5	5	12
Total States Audited	143	97	184	102	158	159	145	154	160	77	187	97	120	147	65	59	163
Total Hours	11349	7721	7438	9062	11900	8850	8792	10943	6133	4946	13296	7818	7265	10772	7200	5000	13195
Average Hours Per State	79	80	40	89	75	56	61	71	38	64	71	80	61	73	110	85	81
Total Both Taxes Total Audits	24	19	23	21	22	20	19	17	18	15	22	16	13	18	11	9	17
Total States Audited	295	217	370	353	289	325	310	420	336	252	328	306	199	299	374	190	313
Total Hours	23598	17733	17498	22195	20584	18246	19348	22955	18750	17460	22657	25388	13705	21217	32849	16937	26031
Average Hours Per State	80	82	48	63	71	56	62	55	56	70	69	83	69	71	88	89	83