

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

**Multistate Tax Commission**

**July 2014**

**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 2013-2014 fiscal year.

**\* AUDIT COMMITTEE \***

The audit committee met three times in fiscal year 6/14. They first met on July 23, 2013 in San Diego, California. There were 46 members, guests and staff present at the meeting. There were 38 individuals representing 19 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 8 income tax and 5 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.

The audit committee adopted recommendations from the committees on early no change audits and audit selection process. These two committees met several times during fiscal year 2013. The audit program will now implement these adopted recommendations.

The audit committee met on December 10, 2013 in New Orleans. There were 46 members and guests present at the meeting. There were 37 individuals representing 19 member states present.

The audit committee reviewed the status of all the audits in progress. A discussion was held on 16 income tax and 5 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.

The audit committee met on March 13, 2014 in Denver. There were 38 members and guests present at the meeting. There were 32 individuals representing 18 member states present.

The audit committee reviewed the status of all the audits in progress. A discussion was held on 12 income tax and 4 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.

### **\* AUDIT PROGRAM \***

#### **PRODUCTIVITY**

Audit Program completed 6 and parts of 7 income tax audits for fiscal year end 6/14. The Audit Program also completed 6 sales tax and parts of 9 other audit for the same period. There are 17 income and 29 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 \$40,850,289 for income tax and \$1,674,931 for sales tax.

#### **STAFFING**

Two income tax auditors are no longer in the Commission's employment as of November 1, 2013. These two positions will be filled when the new Audit Director is hired. This will be sometime in early 2014. Mike Bontrager resigned as sales tax auditor effective February 1, 2014 to take a position at Walgreens. Jantha Jamison was hired to fill sales tax auditor position in June 2014.

Please welcome Keith Getschel formerly of Minnesota as new Audit Director. Keith began as Audit Director on June 16, 2014.

## **TRAINING**

Jeff Silver and Larry Shinder participated as instructors in an income tax course in Washington, DC in October, 2013. Jeff and Cathy Felix participated as instructors in an income tax course in Denver in February. Also, Harold Jennings and Bob Schauer conducted in a sampling class in Colorado in October 2013 and a course in Alabama in February.

**TRENDS IN PRODUCTIVITY**  
**MTC JOINT AUDIT PROGRAM**  
**AUDIT HOUR ANALYSIS**  
**6/98- 6/14**

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





