



To: Members, Executive Committee

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

Date: April 24, 2015

Subject: Report of the Audit Committee

The audit committee met four times thus far in fiscal year 6/15. They first met on July 29, 2014 in Albuquerque, New Mexico. There were 44 members, guests and staff present at the meeting or attending by phone. There were 37 individuals representing 21 audit program states. There were no members of the public present at the meeting. The second meeting took place on October 30, 2014. This meeting was held via a teleconference. Although the sole purpose of this meeting was to select income tax cases for MTC audits, a public meeting was also held. There were no members of the public present, so the audit selection was conducted in the closed session. There were 22 members and staff who called in and participated in this teleconference, with 19 individuals representing 14 income tax audit committee states. The third meeting of the committee occurred on December 10, 2014 in Nashville, Tennessee. There were 56 members, guests and staff present at the meeting or attended by phone. There were 43 individuals representing 27 audit program states. There were also two members of the public present during the open session. The fourth meeting of the audit committee occurred March 11, 2015 in Kansas City, Missouri. There were 35 members, guests and staff present at the meeting or attended by phone. There were 28 individuals representing 17 audit program states.

During the meeting in Albuquerque the audit committee selected 13 sales tax cases to be added to the MTC's audit inventory. The committee reviewed the status of all active audits and discussed cases with significant issues. The committee thanked retiring MTC Audit Director Les Koenig for his many years of dedicated service to the Commission and welcomed Keith Getschel as the incoming Audit Director.

During the October teleconference, the audit committee selected 10 income tax cases to be added to the MTC's audit inventory. Since this was the sole purpose for this meeting, no further actions were taken.

The audit director, as instructed, sent out a request to all audit member states to share their states common audit adjustments and how they identify those adjustments with all members of the committee. A number of states have provided feedback and this will serve as the major topic during the round table discussion at the Nashville meeting.

During the December meeting in Nashville, the audit committee took time to acknowledge Rick DeBano for his outstanding work as Audit Committee Chair and recommend Frank Hales to succeed Rick as Chair. During this meeting the committee recommended and selected an addition income tax case to be added to the MTC's audit inventory. There was a specific case discussed that Keith Getschel has been personally involved in and, although it is going well, it is taking resources from other cases. The committee shared and discussed their individual state's experience with audit selection and significant tax adjustments.

During the March meetings in Kansas City, Elizabeth Harchenko gave an overview and update of the strategic planning project for the audit committee. A discussion was held on electronic signatures relating to their acceptance on statute of limitations waivers. There was a discussion on a couple of sales tax cases, in which the minimum number of states participating in the audit had not been reached. The committee decided to remove one of the cases from inventory and instructed staff to send out new requests for participation for the other case.