

Project description: Audit Nominating Process Review

This project would involve a comprehensive review of the process for nominating audit candidates.

Problems: The current nominating process takes anywhere from 5-8 months to complete. There are several stages of the process that take significant amounts of time. These include: state submission of detailed data about nominees; the voting process; and the scheduling of an Audit Committee meeting to finalize the audit inventory. In addition, the current audit nominating process does not always produce audit candidates that will be of high value to a significant number of states.

Risks: Time delays in the nominating process create the risk of losing audit years to statutes of limitations, or at least create the need to ask taxpayers for waivers. Time delays in the nominating process can tie up audit resources and preclude spending time on other audits. Time delays can create a risk that there won't be sufficient audits in inventory to have sufficient work for audit staff until a new nomination process can be conducted. Time delays also create risks that states will not participate in audits. When audit nominations are not of high value to a significant number of states, fewer states participate and MTC auditors do not spend their time in the most productive ways.

Issues for review:

- Should the nominating process be conducted on a different time sequence?
- Would it be possible to create an electronic repository of state tax returns to evaluate potential audit issues for nominations, and improve the pool of potential audits?
- Are there any other efficiencies in the process that could be achieved using technology?
- How might information about issues that could affect large industry groups or significant taxpayers be used to improve the pool of possible audit nominees?
- How effective were the changes that were made to the nominating process within the last two years? Have there been any unexpected effects (e.g., audit inventory too small)?
- Should MTC audit staff be involved in providing information about audit candidates during the nominating process? If so, how?
- Should the nominating process or criteria be different for Sales/Use tax versus Income tax?

Expected outcomes from the project:

- Streamlined nomination process that would take no longer than 120 days to complete.
- Recommendations for improving the quality of the pool of audit nominees.
- Recommendations for quality indicators for the audit pool.
- Describe the process steps or stages that could be made more efficient by using technology, or using it differently.

Who should be involved in the project:

- Audit Committee
- MTC Audit Staff
- IT person (from MTC or the states)