



**MULTISTATE TAX COMMISSION**

*Working Together Since 1967 to Preserve Federalism and Tax Fairness*

**To: Members, Executive Committee**

**From: Janielle Lipscomb, Audit Committee Chair  
Rick DeBano, Vice Chair**

**Date: March 19, 2009**

**Subject: Report of the Audit Committee**

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The Audit Committee met on November 19, 2008 in San Antonio, TX. There were 27 members, guests and staff present at the meeting. There were 21 individuals representing 15 Audit Program States present. There were no members of the public present at the meeting.

The Audit Committee discussed the final two questions of the COST white paper on the MTC Audit Program. A final draft was recommended for approval to the MTC Executive Committee

The Audit Committee reviewed the status of all the audits in progress. A discussion was held on 8 income tax and 3 sales tax audits that had significant issues.

The Audit Committee also selected 11 companies for the MTC audit program's sales tax inventory.

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

The Audit Committee also met on March 19, 2009 in Nashville, TN. There were 19 members, guests and staff present at the meeting. There were 10 members present via a teleconference call. This total included 18 individuals representing 16 program states. There were no members of the public present at the meeting.

The Audit Committee discussed possibly reducing the number of in-person meetings to 2 a year. The Committee believed this was doable if the MTC staff held a third meeting via a teleconference once a year. The committee also expressed its preference to hold the 2 in-person meetings during the

annual meeting and March. They recommended that the March meeting be held in an airport hub to make travel easier.

The Audit Committee reviewed the status of all the audits in progress. A discussion was held on 13 income tax and 5 sales tax audits that had significant issues. During this discussion, several members of the committee expressed concern on the length of time that was being spent on several audits. Les explained that in many of these audits, the auditor had outstanding requests for information that the taxpayer has delayed in its response. The Audit Committee advised the staff that the MTC should consider sending demand letters and subsequent subpoenas if necessary. Oregon and Wisconsin offered examples of letters the states use. Les responded that he would follow up with the states in several audits to utilize a version of these demand letters.

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