

**Report to the MTC Executive Committee
MTC Strategic Planning Process Update
Strategic Planning Steering Committee
December 6, 2012**

Background

During the last few months, the MTC Strategic Planning Steering Committee (the Committee) has been working with a group of state and staff representatives, the Compliance Work Team (the Team), to identify projects that will help us reach our Compliance Goal.

The Compliance Goal is:

Compliance programs – *Our goal is to develop timely and effective strategies to address new compliance challenges.* Achievement of the MTC's compliance goals will be reflected by:

- Greater voluntary compliance by taxpayers with state and local tax laws.
- Earlier identification of compliance challenges by the states and MTC staff.
- Prompt development of strategies to address new compliance challenges by the states and MTC staff.

The Committee decided that enhancing the MTC's Audit Program is a key strategy for achieving the Compliance Goal and charged the Team to develop proposals that would enhance the effectiveness of our Audit Program. The Team met in Grand Rapids, Michigan, following the MTC annual meeting this summer. The Team developed a number of concepts that could enhance the audit program. The Team evaluated those concepts based on their potential for a near-term positive impact and their potential complexity. The Team recommended two projects to the Steering Committee.

Audit Nominating Process

The current audit nominating process requires a minimum of five months and in some cases eight months to complete. The Team believes this process should be streamlined to more efficiently and more quickly secure a list of audit candidates. Also, the current process does not always result in a list of candidates that are of interest or value to a significant number of states. This project would review both the steps in the nominating process and the criteria that are used to develop and consider audit nominations that are placed in inventory.

Early "No Change" Determinations

Current audit procedures require that the MTC auditors complete a full audit report for every state that participates in a multistate audit. At the conclusion of some audits, there may be one or more states for which there are no audit adjustments proposed, or the proposed adjustments are minor. This project would develop criteria and procedures for the MTC auditors to make a decision early in the audit process whether any adjustments will be proposed for a participating state. After an early "no change" decision, the auditor would not be required to complete a full set of workpapers for the affected state or states.

The Committee approved both of the projects for implementation.

Next Steps

Compliance / Audit Program Projects: For each project there will be a team of state members and MTC staff auditors. During December and January, project plans will be developed and the teams will identify the criteria that we will use to evaluate the success of the projects. We have set target completion dates of April for the early “no change” project and July for the audit nomination project. The Committee has instructed the project teams to seek input from the states and appropriate stakeholders. Both projects will be reviewed with the Audit Committee to assure that they meet the needs of the states and that the process changes that come from the projects will have support and acceptance once they are implemented.

Steering Committee Work: Over the next six months, the Committee will monitor the progress of the compliance projects and teams. The Committee will also develop measures and benchmarks to evaluate the success of the Commissioner Outreach Project that was started in July of this year. Finally, the Committee will be working on a plan to integrate strategic planning into the regular business operations of the Commission.

Respectfully submitted,

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