



To: Members, Executive Committee
From: Glenn Hegar, Treasurer
Date: November 17, 2022
Subject: Governance Letter from LSWG - CPAs dated October 26, 2022

COMMENTS – Corrected and Uncorrected Misstatements (page 2 of this letter)

The four material misstatements ranging from \$23,000 to \$380,000

The Multistate Tax Commission prepares its annual budget and its internal financial statements on a cash basis. Thus, and as an example, on MTC's budget and internal financial statements: equipment is expensed when purchased and vacation pay is not accrued. However, for purposes of GAAP used on the audited financial statements various accrual adjustments and adjusting to market value are required. Thus, these types of "misstatements" are the difference in accounting methods between the MTC's books and the audited financial statements. These types of "misstatements" occur every year.