

**AUDIT COMMITTEE MEETING
PUBLIC SESSION-Minutes**

Teleconference

November 17, 2020

I. CALL TO ORDER:

Frank Hales, Audit Committee Chair called the meeting to order at 2:01 P.M. Eastern Time and welcomed the members and guests participating in the meeting.

II. ROLL CALL:

Present were the following members and guests:

NAME	STATE OR AFFILIATION	NAME	STATE OR AFFILIATION
Matt Tidwell	AL	Matt Peyerl	ND
Wayne Harkins	AL	Charles Dendy	ND
Timea Boros	AL	Dorian Johnson	NM
Michael Williams	AK	Joseph Royston	OR
Deanna Munds-Smith	AR	Katie Lolley	OR
Lynn Reynolds	AR	Don Jones	OR
Sammy Khakame	CO	Victoria Johnson	OR
Sarah Roberts	CO	Anita Conner	PA
Kathy Mui	CO	Debra Houck	PA
Charles Wilson	DC	Sheila Becker	PA
Mustafa Eevli	DC	Bethany Whitmarsh	RI
Robert Kindred	DC	Susanna Coburn	RI
Layne Hadlock	ID	Harold Jones	TN
Meg Inouye	ID	Frank Hales	UT
Erick Shaner	ID	Tiffany Southworth	UT
Ronda Detlefsen	IA	Karolyn Bishop	WA
Charla Wagner	KS	Bryan Kelly	WA
Mary Linda Wells	KY	Kevin Lanham	WV
Latonia Dooley	KY	Holly Coon	MTC
Marcia Ann Oakman	KY	Brian Hamer	MTC
Krystal Bolton	LA	Lila Disque	MTC
Debra Guillory	LA	Helen Hecht	MTC
Stacey Greaud	LA	Bill LoCascio	MTC
Robert Scheerer	MD	Steve Yang	MTC
Mark Schoenfeld	MT	Bartt Stucki	MTC
David Merrien	MT	Bruce Fort	MTC
Lee Baerlocher	MT	Greg Matson	MTC
Keith Broussard	MT	Chris Barber	MTC
Scott Spilinek	NE	Sherry Tiggett	MTC
Colleen Chipman	NJ	Nicholas Polimeros	MTC
Dee Wald	ND	Nancy Prosser	MTC
Daniel Rouse	ND	Kay Mick	MTC
Megan Martin	ND	John Tracy	MTC

Scott Pattison	MTC	Amy Hamilton	State Tax Notes
Shawn Rao	MTC	Todd Lard	Eversheds Sutherland
Wanda Dorsey-Jenkins	MTC	Phil Horwitz	Moss Adams
Kim Stewart	MTC	Stephanie Do	COST
Larry Shinder	MTC	Will Rice	FAST
Cathy Felix	MTC	Olga Kourdova	Charter
Jeff Silver	MTC	Paul Williams	Law 360
Paul Mond	MTC	Lindsay Buerkle	MTC

III. REPORT ITEMS FROM CLOSED SESSION-JULY 28, 2020

Due to the virtual nature of Audit Committee meeting in July, the public session was not reopened after the closed session. There was one item to report from the closed session in July. Currently, activity of the Joint Audit Program is reported only in terms of proposed assessments. During the closed session of the meeting, the Audit Committee asked the Audit Director to propose a more detailed reporting format. Holly Coon, Audit Director, explained that this format will be presented in the closed session of this Fall meeting of the Audit Committee.

IV. PUBLIC COMMENTS:

There were no Public Comments.

V. APPROVAL OF MINUTES PUBLIC SESSION:

The minutes of the public session of the Audit Committee meeting on July 28, 2020 conducted via teleconference were approved unanimously with a motion by Michael Williams, AK.

VI. AUDIT DIRECTOR'S REPORT

Holly referred to her written report on the status of the Audit Program. She noted that for the first quarter of the 2021 fiscal year, the Joint Audit Program proposed assessments of \$15,709,698 for completed and partially completed corporate income tax audits and \$1,725,421 for completed and partially completed sales tax audits.

Holly also highlighted the training portion of the report. She noted the upcoming trainings listed on the report and notified the committee members that the Commission will be conducting a training session on ethics on December 16th. Holly mentioned that subscribing to the MTC monthly newsletter is the best way to stay informed about upcoming MTC training events.

VII. APPROVAL OF AUDIT MANUAL AND STATUTE OF LIMITATIONS WAIVER FORM FOR INCOME TAX

Holly indicated that MTC audit and legal staff had worked to update the MTC Audit Manual for Income Tax. This updated document was circulated to audit committee members on October 26th via email and available on the MTC website for public review.

The MTC Waiver Form to extend the statute of limitations for an audit period was also updated and attached as an exhibit to the audit manual.

Committee members considered these items separately and addressed the MTC Waiver Form for Income Tax first. Holly indicated that based on feedback from member states, two additional changes were recommended.

1. Add an additional Tax Category with checkbox titled “KY Limited Liability Entity Tax”
2. Add language to section C. to make clear that the statute of limitations extension for refunds would only apply to those states and tax periods identified in section B.

Lee Baerlocher, MT, submitted a motion to approve the revised form submitted by MTC staff with the two changes noted above. The motion was approved by large margin with a roll call vote.

Audit committee members then moved to approve the MTC Audit Manual for Income Tax. Holly indicated that based on feedback from member states, she recommended slight revisions to paragraph 2.23., paragraph 3.08., paragraph 11.04.(c), and paragraph 11.04(d)(5). These additional revisions were insubstantial and intended to clarify wording in these paragraphs.

Don Jones, OR, submitted a motion to approve the updated MTC Audit Manual for Income Tax with the four mentioned revisions, but also suggested that the MTC consider changing reference to business/nonbusiness income to apportionable/nonapportionable income consistent with changes to the UDITPA model. The motion was approved by large margin with a roll call vote.

VIII. NEW BUSINESS AND ADJOURNMENT

As an item of new business, Holly recommended that the committee revise or create an Audit Committee charter to address voting procedures. She noted that in recent meetings, income tax only members of the Joint Audit Program were reticent to vote on items viewed as affecting sales tax members only. At the time of the meeting, the Audit Committee charter could not be located. Don Jones added that the charter should address many issues pertinent to the Audit Committee, but also include audit procedures to address the voting issue Holly raised. Frank Hales suggested that MTC staff draft a proposed charter to be discussed at the spring meeting of the committee. Committee members generally supported this course of action and no opposition was expressed.

This was the only item of new business discussed and the public session ended at 3:14 P.M. Eastern Time with a motion from Lee Baerlocher, MT, so the committee could hold a closed session.

Due to complexities of holding the Audit Committee meeting via teleconference, the public session was not reopened at the conclusion of the closed session, as is customary. Frank notified meeting participants that any items from the closed session appropriate to be reported in public session would be presented at the next public session of the Audit Committee.