

Report of the Audit Committee and Audit Program

**Multistate Tax Commission
2023**

**Frank Hales, Chair, MTC Audit Committee
Michael Williams, Vice Chair, MTC Audit Committee
Holly Coon, Director, MTC Joint Audit Program**

The following report reflects the activities of the MTC Audit Committee and the Audit Program for the 2023 fiscal year ended June 30, 2023.

*** AUDIT COMMITTEE ***

The audit committee met three times in fiscal year 2023. The committee's first meeting was held on August 1, 2022, in Anchorage, Alaska. There were 104 members, guests and staff present during the public session and 95 members and staff present during the closed session of the meeting. There were 8 members of the public present during the public session, and there were 70 individuals representing 26 audit program states present during the closed session of the meeting.

The audit committee's second meeting in fiscal year 2023 was held on November 16, 2022, in Little Rock, Arkansas. There were 98 members, guests and staff present during the public session and 84 members and staff present during the closed session of the meeting. There were 7 members of the public present during the public session, and there were 87 individuals representing 27 audit program states present during the closed session of the meeting.

The third and final meeting of the audit committee held in fiscal year 2023 was on April 26, 2023 in Long Beach, California. There were 106 members, guests and staff present during the public session and 85 members and staff present during the closed session of the meeting. There were 12 members of the public present during the public session, and there were 61 individuals representing 24 audit program states present during the closed session of the meeting.

At each meeting, the audit committee reviewed the status of all audits, in progress or recently closed. Discussions were held on income tax and sales tax audits that had significant issues. MTC legal staff also provided a presentation on recent state tax litigation at each meeting.

The audit committee will meet for the first time in fiscal year 2024 on July 24, 2023, during the MTC annual meetings which will be held in Austin, Texas.

*** AUDIT PROGRAM ***

1. Productivity

The Joint Audit Program completed parts of nine (9) income tax audits during fiscal year 2023. Audit staff also completed three (3) sales tax audits and parts of seven (7) other sales tax audits. Currently, there are nineteen (19) income tax audits and twenty-four (24) sales tax audits in progress.

During the fiscal year, the income tax program proposed net assessments of \$170,817,148 for partially completed income tax audits. Income tax program staff also proposed NOL and tax credit reductions of \$3,007,624. The sales tax program proposed net assessments of \$3,439,663 for completed and partially completed sales tax audits. Sales tax program staff also proposed reductions in tax refunds of \$192,554.

2. Staffing

The Joint Audit Program experienced no staffing changes during fiscal year 2023, but Jacqueline Dalenberg submitted notice of retirement in early July. We hope to add a new sales tax auditor to our staff soon.