

Report of the Audit Committee and Audit Program

**Multistate Tax Commission
2024**

**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 2024 fiscal year ended June 30, 2024.

*** AUDIT COMMITTEE ***

The audit committee met three times in fiscal year 2024. The committee's first meeting was held on July 24, 2023 in Austin, Texas. There were 95 members, guests and staff present during the public session and 84 members and staff present during the closed session of the meeting. There were 2 members of the public present during the public session, and there were 74 individuals representing 27 audit program member jurisdictions present during the closed session of the meeting.

The audit committee's second meeting in fiscal year 2024 was held on November 15, 2023 in Montclair, New Jersey. There were 110 members, guests and staff present during the public session and 106 members and staff present during the closed session of the meeting. There were 11 members of the public present during the public session, and there were 79 individuals representing 28 audit program member jurisdictions present during the closed session of the meeting.

The third and final meeting of the audit committee held in fiscal year 2024 was on May 1, 2024 in Kansas City, Missouri. There were 146 members, guests and staff present during the public session and 122 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 94 individuals representing 29 audit program jurisdictions 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 2025 on July 29, 2024, during the MTC annual meetings which will be held in Denver, Colorado.

*** AUDIT PROGRAM ***

1. Productivity

The Joint Audit Program staff completed four (4) income tax audits and parts of eight (8) other income tax audits during the 2024 fiscal year. Audit staff also completed four (4) sales tax audits and parts of five (5) other sales tax audits during the fiscal year. Currently, there are eighteen (18) income tax audits and twenty-four (24) sales tax audits in progress.

During the fiscal year, the income tax program proposed net assessments of \$297,738,703 for completed and partially completed income tax audits. Income tax program staff also proposed NOL and tax credit reductions of \$2,217,973. The sales tax program proposed net assessments of \$3,400,352 for completed and partially completed sales tax audits.

2. Staffing

The Joint Audit Program lost three employees during the 2024 fiscal year. Jackie Dalenberg, a long-time sales tax auditor, retired in July. Angie Kaur Grewal was hired in February to replace Jackie, but she later resigned in June. The program also lost two income tax auditors to the Internal Revenue Service. Ben Morris resigned in February and Bill LoCascio resigned in April.

Looking ahead to fiscal year 2025, two new income tax auditors will be joining the audit program staff later this calendar year. Unfortunately, Kim Stewart also gave notice of resignation in July. Holly Coon, Joint Audit Program Director, and Steve Yang, Sales Tax Supervisor, plan to begin the hiring process to fill the two vacant sales tax auditor positions in early fall.