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Overview of the Re-Certification Audit

The purpose of a recertification audit is to insure a previously Certified Service Provider or Certified Automated System continues to comply with all standards for CSPs and CASs as set by the SST Governing Board. The Governing Board will provide guiding recertification principles to firms granted status as a Certified Service Provider (CSP) or receiving approval as a Certified Automated System (CAS) as defined in Article II, Sections 202 and 203 of the Streamlined Sales and Use Tax Agreement (SSUTA). The Governing Board will include in these guidelines the record keeping requirements and include an overview of the re-certification process. These guidelines will advise CSPs and CAS providers of some of their roles and responsibilities and assist them in complying with the Governing Board's expectations.

For mapping documentation requirements, please refer to the *Overview of the Compliance Audit Process for CSPs and CAS Providers* document.

General Understandings

Timely communication between all parties is very important. The CSP and CAS providers must communicate to the Governing Board the following:

1. Any changes to the software, new types of sellers or any operational changes which could affect the recording keeping requirements stipulated by the Governing Board;
2. Any problems encountered by Model I and Model II sellers which would impact the flow of information necessary to determine the appropriate tax;
3. All changes to the Taxability Matrix and the Rates and Boundaries Tables which were initiated by the states and implemented by the CSP and CAS provider;
4. Changes which would enhance the system, access, record keeping, etc.;

5. Any change which will impact the CSP's ability to meeting its contractual obligations to collect and remit the tax; and
6. Any changes in financial position which will have a negative impact on the CSP ability to be an ongoing concern.

State personnel should periodically conduct random tests of the CSP system via an online connection to determine (on a limited basis) whether the correct tax rate is being applied according to the tax jurisdiction of the purchaser. These spot checks will also serve to verify if products are taxable or exempt per the mapping detail. Any resulting discrepancies found as a result of any tests or by other disclosures (such as customer complaints) must be reported to Testing Central (as outlined in the *Certified Service Provider Acceptance Criteria and Testing Procedures* document). Testing Central will contact the CSP or CAS provider (or the state if it involves a taxability matrix issue) to make timely corrections. The CSP or CAS provider is expected to remit or refund any tax affected by these discrepancies. Failure to resolve the issue(s) in a timely manner as specified by the Governing Board may jeopardize the certification status of the CSP or CAS provider. **It may also result in an assessment for under-reporting tax due.**

During recertification, the Governing Board will evaluate the timeliness of updates. Failure to update in a timely manner may result in a CSP or CAS provider being denied recertification. It may also result in the assessment based on tax that would have been collected if updates were made on a timely basis. A more expansive discussion of the re-certification process follows:

Procedural Issues Covered Within a Re-Certification Audit

A re-certification audit may be conducted on the CSP or CAS provider as frequently as every year, the following are some of the procedural issues that must be verified or completed as part of the evaluation process to determine if re-certification should be granted based on adherence to the Governing Board regulations and certification standards. They include, but are not limited to the following:

- 1) Verify that the CSP is compliant with the minimum standards in effect at the time of re-certification;
- 2) Verify whether changes to taxability matrices were handled appropriately and in a timely manner;
- 3) Confirm that jurisdictional tax rate changes were made within the prescribed timeframe;

- 4) Determine if errors discovered through on-line or regression testing were corrected within the timeframe required and that the tax consequence was either remitted or refunded;
- 5) Assess whether changes made to software programs may have adversely affected compliance;
- 6) Verify that the electronic records maintained by the CSP provide the required level of detail and substantiate that the required audit trail exists within sales records;
- 7) Verify the electronic records generated by the CAS system provide the required level of detail and required audit trail;
- 8) Determine that computer backups of data exist and are periodically tested for accuracy and completeness at the CSP;
- 9) Verify the CAS provider or CSP has properly notified Testing Central regarding changes made to their certified software programs, etc.;
- 10) Verify whether a web-based administrative site has been provided as prescribed in the *SST CSP Site Administration* document;
- 11) Review the existence and severity of complaints by states against the CSP;
- 12) Review compliance with provisions of the contract and SSUTA; and
- 13) **A CSP or CAS provider may be assessed for the under collection of tax based on failing to comply with the Governing Board Guidelines.** In the case of a CSP, this assessment will be based on all transactions handled by the CSP for the period of non-conformance. For a CAS, the re-certification findings will be used to determine if the CAS was responsible for tax errors during audits of Model II sellers.

For actions to be taken if a CSP loses its certification status, refer to the procedures stipulated in the *Certification Standards* document.