

Streamlined Sales Tax Audit Committee Progress Report

To: State and Local Advisory Committee & Streamline Sales Tax Governing Board

From: Bruce Christensen, Chair of the Audit Committee

Date: March 19, 2008

- 1.) The SST Audit Committee met in Tucson, Arizona March 11 & 12, 2008. A total of 29 people were in attendance with 17 states represented.
- 2.) Next meeting of the SST Audit Committee will be June 3 & 4, 2008 (Tuesday & Wednesday) in St. Paul, Minnesota at the Minnesota Department of Revenue.
- 3.) The Audit Committee has developed an alternative recommendation to the Performance Bond/ Security Requirement in the current CSP contract. The alternative recommendations will be presented to the Executive Committee of the SSTGB at their meeting in Reston, Virginia.
- 4.) At the meeting in Tucson we discussed changes that we would like to see made to Appendix F and the need for invoice level descriptions of items sold by Model I Sellers. The committee will summarize the issues and discuss in more detail at our next meeting in St. Paul.
- 5.) In the Streamlined Sales & Use Tax Agreement Section 317 Administration of Exemptions under B. 1. The last sentence "For purposes of this section, member states may continue to apply their own standards of good faith until such time as a uniform standard for good faith is defined in the Agreement." The Audit Committee had previously drafted a document defining good faith and submitted to SLAC. The Audit Committee reviewed the document and determined that at this time there is not a need for good faith to be defined in the Agreement and decided to drop the document. The committee determined that it is best left up to the states to handle until there becomes a need for a uniform definition.
- 6.) Members of the Audit Core Team have developed an Executive Director Contract Monitoring Program. The audit committee reviewed this document and recommended it be submitted to Scott Peterson to assist his office in properly monitoring CSP contracts.
- 7.) At the Tucson meeting the committee reviewed the requirements of a CAS and Model II Seller. Two work groups were formed; one to determine what role or responsibilities would be for a Core Team under the CAS contract and the other to determine how to audit Model II Sellers. Both groups work will be discussed at the St. Paul meeting.

- 8.) The Audit Committee members from the full member states had a closed session with the Core Team members to discuss audits of the CSPs. The audit committee feels it is important that when a state completes their audit portion of the CSP audit of the Model I Sellers that a formal letter is sent to the CSP even if the state does not have any finding in order to provide closure of the audit.
- 9.) The contract compliance audits completed by the Core Team for each CSP will be submitted to Scott Peterson on March 20, 2008 so they can be presented to the SST Executive Committee at their meeting in Reston, Virginia on March 31, 2008.
- 10.) The audit committee appreciates the states of Minnesota, Indiana, West Virginia and Oklahoma for providing the members of the SST Audit Core Team. A special thanks goes to the members of the core team for their work; Steve Krovitz, Bob Muller, Toni Webster and Roger Wright. They did an outstanding job performing the contract compliance audits on behalf of the SST Governing Board.