

## Streamlined Sales Tax Audit Committee

### Confidentiality and Information Sharing Agreement

As the Audit Committee for the Streamlined Sales Tax Governing Board moves forward with conducting contract compliance audits, it has become evident that a need exists for a uniform confidentiality and information sharing agreement between all of the member states.

When the SST Audit Committee organized the first Audit Core Team and conducted the Certified Service Provider audits, it became immediately apparent the need for a confidentiality and information sharing agreement. The first round of audits consisted of the Audit Core Team conducting the contract compliance audits of the Certified Service Providers (CSPs) on behalf of the SST Governing Board and coordinating the tax compliance audits between the CSPs and the member states. The current audits include, in addition to Certified Service Providers, audits of Certified Automated Systems (CAS) Providers. Further, the proposed federal legislation, “Sales Tax Fairness and Simplification Act H.R. 3396,” includes an option allowing the SST Governing Board to authorize a single audit on behalf of all the member states for sales tax. In order to accomplish these audit requirements the SST member states along with the SST Audit Core Team must be able to share information.

Based on limited research we have found that several multi-state agreements exist, but none of the agreements encompass all of the member states of the Streamlined Sales Tax Agreement nor do they directly apply to our needs.

In the process of planning and performing the current contract compliance audits of the CSPs and CAS Providers, the Audit Core Team appointed a member of their team as custodian of individual state agreements. The custodian is responsible for surveying the individual states to find out if they require separate agreements, corresponding with the states and Audit Core Team members, compiling the signed agreements, making copies for the Audit Core Team’s files, and forwarding the signed agreements to the individual states. The custodian spends a considerable amount of time corresponding with the individual member states to determine if they require confidentiality agreements for accessing their tax information. For some states, a hard-copy of the confidentiality documents has to be obtained directly from the member state to be signed.

The Audit Core Team members must read and sign the individual agreements, some of which are several pages long and contain significant legal terminology. The signed copies are then forwarded to the custodian. The process is extremely time consuming.

The current confidentiality agreements used by individual states are generally directed more at state vendors and contractors than state auditors. The language on most of the agreements falls far short of what a uniform agreement should provide relating specifically to sales tax information sharing. Overall, it should be understood that signing the confidentiality agreements

of the individual states is a time consuming process that would be greatly improved by the implementation of a uniform information-sharing agreement.

There is also Form TC0009, entitled the “Confidentiality and Conflict of Interest Agreement”, that is required to be signed by individuals on the Audit Core Team and Certification Committee. This agreement relates primarily to information provided by the Certified Service Provider (“CSP”) and Certified Automated System (“CAS”) Provider, including that provided by their subcontractors and partners, and indicates that the information is to be considered proprietary or trade secret information under applicable state government data practices laws and as such cannot be released or discussed in any manner with any other CSP or CAS candidate or contractor, or with any individual or state representative not involved in the contract compliance evaluation process established by the Streamlined Sales and Use Tax Governing Board (“Governing Board”). This agreement relates more to confidentiality of proprietary information of the CSP and CAS Provider and also conflict of interest issues. As such, it would appear that this agreement would still require signature by the Certification and Audit Core Team members.

The process described above is intended as a patch until there is a Streamlined Confidentiality and Information Sharing Agreement. The Agreement currently does not address sharing of taxpayer information between the member states for audit purposes.

A Streamlined Confidentiality and Information Sharing Agreement would enable member states to freely share audit and taxpayer information related to Streamlined Sales Tax. This agreement should be consistent with other agreements between the states.

The confidentiality and information sharing agreement should be part of the appendix to the Streamlined Sales Tax Agreement. This would allow the member states to freely share streamlined taxpayer data with one another when conducting audits.