

A motion by Kansas, on behalf of the Certification Committee, to add Appendix O, Annual Representation and Related Requirements, to the Rules in Article V of the SSUTA.

APPENDIX O

ANNUAL REPRESENTATION AND RELATED REQUIREMENTS

The following ~~sections~~ ~~appendices~~ ~~are~~ ~~include~~ requirements the CSPs must comply with for certification, recertification, and contract compliance, as required per CSP contract sections E.27 (Trust Account) and E.28 (Performance Bond and Security) regarding their performance bonds.:

- ~~Section I Appendix B includes~~ ~~contains~~ the format of the annual representation letter ~~pertaining to the performance bond~~ that the CSP management must provide to the ~~SST~~ Governing Board Executive Director.
- ~~Section II Appendix A describes~~ the minimum controls that the CSP should have in ~~place over the~~ ~~relates to~~ Trust Bank Account ~~Minimum Controls~~.
- ~~Section III Appendix C is~~ ~~includes~~ an audit program that would be ~~utilized~~ ~~followed~~ by the Audit Core Team ~~and/or~~ Certification Committee for evaluating financial soundness.

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SECTION I APPENDIX B
Sample Annual Representation

[CSP LETTERHEAD]

(INSERT DATE)

To Craig Johnson, Executive Director
Streamlined Sales Tax Governing Board, Inc.
4219 Hillsboro Pike, Suite 234
Nashville, TN 37215

Per your request we are providing you this annual representation, including any changes that may be considered material or significant, pertaining to our compliance with the CSP contract requirements related to bond and security, trust account, certification, recertification, minimum standards, and related provisions, as required per our contract with the Streamlined Sales Tax Governing Board, Inc.

We acknowledge the following information:

- Our main office is located at:
- Our systems/hosting facility is located at:
- Our backup facilities are located at:
- The current officers of the company are:
- Key staff, phone numbers, and their primary functions include:
- Our subcontractors performing services related to the CSP contract, including names, addresses, and functions include:
- If a partnership entity, our major partners, including names, addresses, and functions include:
- If a corporate entity, our major shareholders investors, including names, addresses, and percentage of ownership include:
- Adequate and auditable internal controls and security features are in place over the collection of taxes, remittance of taxes to the individual states, calculation of compensation, and authorization of transactions.
- We have chosen [month/day] as the annual date at which we will obtain from each Seller a statement of its status in each Member State and Associate Member State as required per Section D.4 of the CSP contract.
- ~~All Seller status statements regarding volunteer status have been received from our model one sellers in accordance with CSP contract Section D.4, except for the following Sellers for which we did not receive a response: [please list]~~
- We maintain the books, records, systems documentation and logs, and other documents in the United States, insofar as they relate to work performed or money received under the this CSP Contract.
- All production computer and backup functions are performed within the United States' boundaries.

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- The trust bank account is timely reconciled, is secured through [FDIC or applicable bank collateral agreements], and includes the appropriate controls, including proper segregation of duties, ~~computer and manual~~ access controls, electronic bank controls, and management oversight.
 - The trust bank account is with the following bank, located at:
 - An internal/external audit of the trust bank account and related procedures was last performed on:
 - Our performance bond is in force and set at the correct amount based upon Section E.28 of the CSP contract.
 - Our standards for advertising are in compliance with the requirements as contained in Section E.30 of the CSP contract.
 - Our standards of confidentiality over records are in compliance with the requirements as contained in Section E.31 of the CSP contract.
 - ~~(Include Other changes, exceptions or special circumstances that should be communicated to the Executive Director, Certification Committee or Audit Core Team, are as follows: [please describe])~~
2. There ~~have been~~ are no:
- a. Violations or possible violations of laws, regulations, policies or procedures that have occurred related to the performance bond, security, or trust bank account, except for the following:
 - b. Material changes in our financial condition or organizational structure or that of our partners or subcontractors that would have an effect upon our operations as a certified service provider, except for the following:
 - c. Instances of assignment, subcontracting, merger, consolidation or acquisition, except for the following:
 - d. Instances of theft or loss of tax data under our control or by our subcontractors, hosting facilities or data backup site, except for the following:
3. If available, an SSAE No. 16 audit report (Reporting on Controls at a Service Organization) or similar IT security report is attached.
4. If available, a current copy of our audited financial statements is attached.
- ~~1. Our financial policies and procedures are in compliance with the requirements as contained in the current contract and the CSP evaluation process.~~
- ~~4. An internal/financial audit of the trust bank account and related procedures was last performed on (date).~~
- ~~5. We maintain the books, records, systems documentation and logs, and other documents in the United States, insofar as they relate to work performed or money received under this Contract.~~

In the event that any of the above representations change, we will contact you by way of certified mail or electronic means within ten business days.

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(Printed Name and Title)

Signature

Date

(Printed Name and Title)

Signature

Date

Name and title of authorized company representatives serving as CEO, ~~and CFO~~ or other representative with authority to bind the company.

Two signatures are required

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SECTION II APPENDIX A

Trust Bank Account
Minimum Controls

Per Section E.27 of the CSP contract:

- A trust bank account shall be created and administered to process all seller taxes due and owing to the Member States and Associate Member States.
- The trust bank account shall be a separate bank account established at a banking institution approved by the Governing Board no later than the first day of the month in which the contractor begins remitting taxes due for its first seller within ten (10) business days after the Effective Date of this Contract.
- The trust bank account shall be established as an zero balance account that requires the deposit of all Seller Taxes processed by the Contractor and the segregation of all Seller Taxes from the Contractor's own funds.
- The corresponding general ledger account on the Contractor's accounting system shall provide a clear audit trail of all deposits of Seller Taxes, remittances of taxes to the Member States and Associate Member States, transfers of Contractor compensation from the trust account to the Contractor's general business account, and all other account transactions.
- The trust bank account shall be secured through FDIC and/or other appropriate bank collateral agreements.
- The account shall also be administered with generally accepted practices for the segregation of duties among account administrators
- The account shall have in place the necessary electronic controls to prevent unauthorized access to and transfers from the account.

In order to comply with these requirements the CSP should have in place the following minimum controls over the trust bank account. They include:

1. The trust bank account should be set up as a zero balance account at a banking institution approved by the Executive Director. The designation on the trust bank account should read "[CSP Company Name]-tax account in trust for the Streamlined Sales Tax Governing Board member states, their local taxing jurisdictions and all state and local taxing jurisdictions processed by the Contractor SST Trust Taxes."
2. Policies and procedures should be put in place and kept current in order to:
 - Keep trust fund collections separate from CSP operating monies.
 - Perform timely reconciliations of the trust bank account and immediately follow up on unusual or unauthorized transactions.
 - Establish a clear audit trail of taxes collected, taxes remitted, compensation transferred, and adjustments to the account.
 - Maintain the proper amount of FDIC and/or bank collateral coverage amounts.
 - Establish and monitor that the proper segregation of duties exists over the authorization, entry, recording, and reconciliation of transactions made to the trust bank account.

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- Establish appropriate electronic controls and procedures over the trust bank account to prevent unauthorized access to or transfers from the bank account.
3. Management should review these policies and procedures to verify that they are appropriate and being complied with.

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SECTION III APPENDIX C
Program for Evaluating Financial Soundness

The following is a brief example of procedures that would be performed by the Audit Core Team or Certification Committee for evaluating the financial soundness of a CSP.

Procedures:

1. Review the CSP's policies and procedures to assess whether they reflect current operations.
2. Review the trust bank account statements for proper name and location.
3. Review documents detailing the amount of FDIC or collateral coverage over the trust bank account.
4. Review the bank reconciliations for the past twelve months. Determine whether they have been performed timely, whether outstanding amounts exist for extended periods, and whether unusual transactions or outstanding balances are followed up.
5. Assess whether the trust bank account is operated as a ~~zero-balance~~ separate fiduciary account and that all Seller Taxes processed by the CSP are deposited into the trust bank account.
6. Assess whether the trust taxes are kept separate from the CSP's own funds.
7. Assess whether the corresponding general ledger account on the CSP's accounting system provides a clear audit trail of all deposits of Seller taxes, remittances of taxes to the Member States and Associate Member States, transfers of CSP compensation from the trust bank account to the CSP's general business account, and all other account transactions.
8. Assess whether controls exist to alert the CSP when taxes have not been received from the seller, when tax payments have not been debited by the States, when erroneous or fraudulent debits have been made to the trust bank account, etc.
9. Determine who has authorization to access the account electronically and whether they have any incompatible duties.
10. Evaluate the segregation of duties over the ability to authorize, enter, record and reconcile transactions of the trust bank account.
11. Review internal and external audit reports related to the CSP's operations. Assess whether any control weaknesses exist that impact the CSP's operations.
12. Review the CSP's financial statements over the past twelve months, or earlier. Assess whether any material changes in financial condition have occurred that could impact the CSP's financial soundness.
13. Review with Testing Central whether the states have reported instances of late filing or paying by the CSP. If so, assess whether the CSP has made corrections to its systems and the related processes.
14. Prepare a report for the Executive Director on the evaluation of financial soundness.