

ANNUAL REPRESENTATION AND RELATED REQUIREMENTS

The following sections include requirements the CSPs must comply with for certification, recertification, and contract compliance, as required per CSP contract sections E.30 (Trust Account) and E.31 (Performance Bond and Security):

- Section I includes the format of the annual representation letter that the CSP management must provide to the SST Governing Board Executive Director.
- Section II describes the minimum controls that the CSP should have in place over the Trust Bank Account.
- Section III includes an audit program that would be utilized by the Audit Core Team and/or Certification Committee for evaluating financial soundness.

ANNUAL REPRESENTATION AND RELATED REQUIREMENTS

**SECTION I
Sample Annual Representation**

[CSP LETTERHEAD]

(INSERT DATE)

To Craig Johnson, Executive Director
Streamlined Sales Tax Governing Board, Inc.
100 Majestic Drive, Suite 400
Westby, WI 54667

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.

1. We acknowledge the following information:
 - a. Our main office is located at:
 - b. Our systems/hosting facility is located at:
 - c. Our backup facilities are located at:
 - d. The current officers of the company are:
 - e. Key staff, phone numbers, and their primary functions include:
 - f. Our subcontractors performing services related to the CSP contract, as defined per section E.11 (Assignment and Subcontracting) of the CSP contract, including names, addresses, and functions include:
 - g. If a partnership entity, our major partners, including names, addresses, and functions include:
 - h. If a corporate entity, our major shareholders, including names, addresses, and percentage of ownership include:
 - i. 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.
 - j.1. 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 (Reporting Requirements) of the CSP contract. (A sample of the message or letter sent to the Sellers is attached.)
 2. We obtained the necessary statement or representation from each Seller. A list of any Sellers for which we did not obtain the statement or representation is attached.
 - k. We maintain the books, records, systems documentation and logs, and other documents in the United States, insofar as they relate to work

ANNUAL REPRESENTATION AND RELATED REQUIREMENTS

performed or money received under the CSP Contract.

- l. All computer systems, data files and back-up sites related to the performance of this contract are maintained and performed within the United States' boundaries,
 - as required per CSP contract sections E.26 (Systems Location) and E.27 (Records).
- m. The trust bank account is timely reconciled, is secured through the FDIC or applicable bank collateral agreements, and includes the appropriate controls, including proper segregation of duties, access controls, electronic banking controls, and management oversight, as required per CSP contract section E.30 (Trust Account). (A sample copy of a prior calendar year's bank statement and related reconciliation is attached.)
- n. The trust bank account is with the following bank, located at:
- o. An internal/external audit of the trust bank account and related procedures was last performed on:
- p. A sample copy of the communication provided to our Sellers notifying them of the amount of tax due that will be remitted is attached.
- q. Our performance bond/security is in force and set at the correct amount based upon section E.31 (Performance Bond and Security) of the CSP contract. (A copy of the performance bond/security, including any renewal documentation is attached if the security is not directly on deposit with the SSTGB.)
- r. Our standards for advertising are in compliance with the requirements as contained in Section E.33 (Prohibited Advertising) of the CSP contract.
- s. Our standards of confidentiality over records are in compliance with the requirements, as contained in Section E.34 (Confidentiality of Records) of the CSP contract.
- t. Our procedures for compiling Appendix F data files are current and are utilized by the staff that generate these files. (A copy of the most recent procedures is attached.)
- u. Our procedures for mapping are current and any revisions are issued to the sellers and/or CSP staff that perform the mapping. (A copy of the most recent procedures is attached.)
- v. Changes in our policies and procedures regarding data security and IT are as follows: (Copies of any policy changes are attached.)
- w. The last successful test of our data recovery plan was on [mm/dd/yyyy]:
- x. The frequency of backup of our data is:
- y. The last successful backup of our data was on [mm/dd/yyyy]:
- z. The last cybersecurity training session for our CSP staff was completed by [mm/dd/yyyy]:
- aa. Other changes, exceptions or special circumstances that should be communicated to the Executive Director, Certification Committee or Audit Core Team, are as follows:

ANNUAL REPRESENTATION AND RELATED REQUIREMENTS

2. There have been 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, as required per CSP contract section E.31(4)(b) (Performance Bond and Security) that would have an effect upon our operations as a certified service provider, except for the following:
 - c.
 1. Instances of assignment, subcontracting, merger, consolidation or acquisition, as required per CSP contract sections E.11 (Assignment and Subcontracting) and E.12 (Merger, Consolidation and Acquisition), except for the following:
 2. If a Merger, Consolidation or Acquisition occurred during the calendar year, notification was given to our Model 1 Sellers. as required by Section E.12 of the CSP contract.

ANNUAL REPRESENTATION AND RELATED REQUIREMENTS

- d. Instances of theft or loss of data under our control or by our subcontractors, hosting facilities or data backup site, except for the following:
(If any theft or loss of data occurred, a list of the dates and description of the theft or loss and the steps taken to remediate the problem and assure it will not occur again are attached.)
- 3. A copy of the most recent IT security reports **and/or evaluations covering the system/hosting and business facilities, as well as offsite user access environment (i.e., remote employees)**, is attached that explains the security testing completed, results of those tests and demonstrates the minimum security standards contained in Appendix C are met. **(If no security testing and report was issued within the last calendar year, attach a copy of your most recent security policies and procedures.)**
- 4. Our most recent financial statements are attached.

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.

(Printed Name and Title) (Signature) (Date)

(Printed Name and Title) (Signature) (Date)

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

Two signatures are required

ANNUAL REPRESENTATION AND RELATED REQUIREMENTS

SECTION II Trust Bank Account Minimum Controls

Per Section E.30 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.
- The trust bank account shall be established as an 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 minimum controls over the trust bank account. They include:

1. The trust bank account should be set up 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."
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.

ANNUAL REPRESENTATION AND RELATED REQUIREMENTS

- 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.

ANNUAL REPRESENTATION AND RELATED REQUIREMENTS

SECTION III 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 or CSP applicant, respectively.

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 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. Include any findings related to financial soundness as a part of the contract compliance audit report or the report for the Certification Committee chairperson related to an evaluation of a CSP applicant.