



CSP Contract Compliance Audit CSP/Model 1 Sellers – Who, What, Where, and When

CORE TEAM	STATE AUDITORS
<p><u>Per Rule 806.3.4(B)</u></p> <p>The Core Team reports to the Streamlined Sales Tax Governing Board Executive Director or its designee for audit assignments, guidance and support.</p>	<p>State Auditors are updated on the activities of the Core Team through the Audit Committee chair.</p>
<p><u>Per Rule 806.3.4(D)(1):</u></p> <p>The Core Team performs contract compliance audits and coordinates tax compliance audits with member states.</p>	<p>The Core Team will provide each state auditor a limited number of transactions for each state to review as part of the Core Team’s contract compliance audit. Each state may select any additional Model 1 Sellers’ transactions they want to review.</p> <p>Completed as part of the interim reviews.</p>
<p><u>Per Rule 806.3.4(D)(2)(a):</u></p> <p>The Core Team determines the CSP’s level of compliance with the terms of the CSP contract. (Questionnaires and specific tests are used to assess the CSP’s contract compliance.)</p> <ul style="list-style-type: none"> • <i>Questionnaires will be given to the CSP, Member/Associate Member States and Executive Director to help evaluate the CSP’s compliance with their contract.</i> • <i>Contract compliance attributes have been established along with accompanying compliance audit procedures. The compliance audit procedures will be completed to evaluate the compliance attributes.</i> <ul style="list-style-type: none"> ○ The Core Team will review each compliance audit procedure and decide the following: 1) specifically define the tasks to be accomplished, 2) decide on what records may need to be reviewed, and 3) decide if the procedure outlined goes far enough or too far. ○ Once the above steps are completed, specific plans to carry out each compliance audit procedure will be established. 	<p>State Auditors have a responsibility to complete the questionnaires and perform specific tests to help assess the CSP’s contract compliance within their respective state.</p> <p>Examples of specific tests State auditors are expected to assist the Core Team with include verifying the information reported on a sample of SERs and verifying the taxability of and proper tax calculation of certain sample transactions.</p> <p>Completed as part of the interim reviews.</p>



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<p><u>Per Rule 806.3.4(D)(2)(b):</u></p> <p>The Core Team evaluates the CSP’s system and processes to verify compensation is calculated in accordance with the contract.</p>	<p>The State Auditors compare the compensation per Appendix F against the compensation recorded on their respective state’s system. The Core Team will identify specific sellers for the state auditor to confirm the amount of compensation calculated was correct and matches the SER filed.</p> <p>Completed as part of the interim reviews.</p>
<p><u>Per Rule 806.3.4(D)(2)(c):</u></p> <p>The Core Team verifies appropriate procedures for mapping exist, are in conformance with the mapping requirements, and are followed in the initial mapping setup, as well as during updates and corrections to mapping.</p>	<p>The State Auditors decide their level of reliance on the data download descriptions and complete additional audit procedures if they conclude the data descriptions are not reliable or insufficient.</p> <p>State auditors should provide to the Core Team examples of instances when the data descriptions were not sufficient.</p>
<p><u>Per Rule 806.3.4(D)(2)(d):</u></p> <p>The Core Team verifies appropriate entity and use based exemption data elements are captured by the CSP system.</p>	<p>The State Auditors request supporting exemption data if the data elements are incomplete within the seller sales data .</p>
<p><u>Per Rule 806.3.4(D)(2)(e):</u></p> <p>The Core Team verifies tax collected was remitted to the appropriate tax authority through review of the CSP’s remittance practices. The use of test periods may be necessary to perform this verification.</p>	<p>The State Auditors verify that the correct taxes were received in their state, the taxes were timely received, and any exceptions are reported to the Core Team.</p> <p>The Core Team will identify specific sellers for the state auditor to confirm the amounts in the state’s system match the Appendix F data.</p> <p>Completed as part of the interim reviews.</p>
<p><u>Per Rule 806.3.4(D)(2)(f):</u></p> <p>The Core Team verifies sales were accurately reported by the CSP/Seller on simplified electronic returns (SERs).</p>	<p>The State Auditors verify that sales were properly reported on their state’s SERs and any exceptions are reported to the Core Team.</p> <p>The Core Team will identify specific sellers for the state auditor to confirm the amounts in the state’s system match the Appendix F data.</p> <p>Completed as part of the interim reviews.</p>



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<p><u>Per Rule 806.3.4(D)(2)(g):</u></p> <p>The Core Team acquires a list of sellers represented by each CSP and provides this information to the Streamlined Sales Tax Governing Board member states.</p>	<p>The state auditors verify that the individual seller returns have been received.</p>
<p><u>Per Rule 806.3.4(D)(2)(h):</u></p> <p>The Core Team coordinates with state auditors to ensure they have received a download of the audit work files from the CSP.</p> <p>The Core Team performs interim reviews of the Appendix F data and uploads them to each state's folder in Sharefile once the data is verified to be in the proper format and the files reconcile.</p>	<p>The Core Team will upload each state's Appendix F files after the interim review has been completed. The states will download the Appendix F files to have available during their tax audits.</p> <p>For CSPs that have provided summary level information, the state will contact the Core Team if detail information is wanted for any sellers.</p>
<p><u>Per Rule 806.3.4(D)(2)(i):</u></p> <p>The Core Team creates a uniform audit plan with a timeline to establish the projected dates that various audit steps are to be completed by the state audit representatives and the Core Team.</p>	<p>State Auditors are encouraged to follow the state auditor timeline to ensure the Core Team audit timeline is met.</p>
<p><u>Per Rule 806.3.4(D)(2)(j):</u></p> <p>The Core Team compiles the feedback reports from the member states, summarizes the findings and reports to the SSTGB Executive Director. The summaries must comply with confidentiality restrictions that apply to the SST Governing Board regarding disclosure.</p>	<p>The state auditors complete a separate feedback report for each CSP.</p>
<p><u>Per Rule 806.3.4(D)(2)(k):</u></p> <p>The Core Team obtains a response from the member states of their intentions to participate in the current audit cycle for each CSP.</p>	<p>State Auditors are expected to participate to the extent the Core Team needs their assistance in performing certain sample tests as part of the contract compliance audit. If State Auditors are going to perform additional state tax compliance procedures, they are asked to inform the Core Team of their intentions.</p>
<p><u>Per Rule 806.3.5.1</u></p> <p>It is preferred that the state auditors work through the Core Team on questions to be directed to the</p>	<p>There should be no direct communication with Model 1 sellers by member states concerning transactions processed by the CSP, except in response to questions from Model 1 sellers, in</p>



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CSPs about their Model 1 sellers (if their state's confidentiality laws will allow this).	case of suspected fraud or to obtain information that the CSP cannot provide.
<p><u>Per Rule 806.3.5.2</u></p> <p>The timeline for conducting the contract compliance audit may vary for each audit cycle. The Core Team will establish a timeline for each audit.</p>	State Auditors are encouraged to adhere to the timeline set out by the Core Team.
<p><u>Per Rule 806.3.5.2</u></p> <p>The Core Team will have 30 days after receiving each member state's feedback report to compile a report on the findings of the contract compliance audit and the member states' tax compliance audits and submit the report to the CSP.</p>	State Auditors are encouraged to send their feedback reports to the Core Team by the timeline deadline.
<p><u>Per Rule 806.3.5.2</u></p> <p>The CSP will have 30 days to review and comment on the preliminary findings of the contract compliance audit. Comments will be sent to the Core Team and member states.</p>	The Core Team will provide the respective state auditors with the CSP's comments that pertain to specific findings.
<p><u>Per Rule 806.3.5.2</u></p> <p>The Core Team and member states will have 10 business days to amend their findings if necessary, before the final report is sent to the Executive Director of the Streamlined Sales Tax Governing Board.</p>	After the CSP review, the Core Team and the member states will have a short time period to amend their reports. The Core Team will then submit their final reports to the Executive Director. If changes are necessary, the member states and Core Team will need to meet immediately in order to resolve the issues by the final report deadline.
<p><u>Per Rule 806.3.5.2</u></p> <p>The Core Team may grant extensions to the audit timelines if it is deemed necessary.</p>	The states will be expected to adhere to any timeline extensions.
<p><u>Per Rule 806.3.5.3(A)</u></p> <p>The Core Team through the Executive Director will provide each member state with its findings of the contract compliance audit.</p>	State Auditors should provide these contract compliance reports to the appropriate individuals in their agency.
<p><u>Per Rule 806.3.5.3(B)</u></p> <p>(See State Auditor responsibility)</p>	Member states may incorporate the findings of the contract compliance audit into their state's



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	audit report for the tax compliance audit so the CSP receives only one audit report per state. (For example, if the Core Team finds that a CSP has withheld more compensation than they should, the assessment for that additional tax may be combined with the assessments, if any, for underreporting by the CSP's Model 1 Sellers.)
<p><u>Per Rule 806.3.5.3(C)</u></p> <p>The report on the audit findings to the Executive Director will contain general information on the errors found and will not contain specific taxpayer information to ensure the confidentiality of taxpayer information.</p>	<p>If appropriate, more specific findings may be included in the respective state's tax compliance audit report.</p>
<p><u>Per Rule 806.3.5.5(A)</u></p> <p>(See State Auditor responsibility)</p>	<p>Each member state's designated auditor(s) will handle its state's portion of the audit and is responsible to ensure conformance to the audit plan and timeline, according to each state's audit policies and procedures.</p>
<p><u>Per Rule 806.3.5.5(B)</u></p> <p>The Core Team will provide the CSP with a list of the member states' auditors who will be involved in the compliance audit.</p>	<p>States are expected to provide the Core Team with the contact information for the state auditor that will be involved in the contract compliance audit in a timely manner.</p>
<p><u>Per Rule 806.3.5.5(C)</u></p> <p>Each CSP will provide a list of all sellers and the date each seller began processing transactions using its service to the Core Team for distribution to the member states.</p>	<p>Each member state will decide which Model 1 seller transactions to include in their tax compliance audit. Each member state has the option to comprehensively review the electronic records or choose sampling methodology to perform a review of these transactions.</p>
<p><u>Per Rule 806.3.5.5(D)(1)-(8)</u></p> <p>(See State Auditor responsibility)</p>	<p>Member state auditors are responsible for reviewing the seller's transactions to determine if they were taxed correctly. If errors exist, the auditors must determine if the errors were caused by any of the following reasons including but not limited to: 1. Deviation from the state's rates and boundaries tables; 2. Noncompliance with the state's taxability matrix; 3. Non-compliance with state approved expanded matrix; 4. Changes posted through Testing Central were not implemented in a timely manner (10 days); (This</p>



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	<p>will be verified through the Audit Core Team); 5. Seller overrides of the CSP system; 6. Exemption information and/or certificates were not available or did not contain all of the required data elements; 7. Calculations that were tested and approved during the certification process; 8. Errors in computing tax were based on erroneous information from the states. Depending on the reason for the error, states may need to provide liability relief and provide notice of the error so that it is corrected prospectively.</p>
<p><u>Per Rule 806.3.5.5(F)</u> (See State Auditor responsibility)</p>	<p>Where audit findings indicate there is an outstanding tax liability owed by the CSP, any resulting deficiencies or demand for payment of additional taxes under the terms of the contract will be generated by each member state. Accordingly, the laws of each state regarding the appeal process would apply to the audit adjustments.</p>
<p><u>Per Rule 806.3.5.5(G)</u> (See State Auditor responsibility)</p>	<p>Upon completion of the tax compliance audit of the CSP, the member state shall provide either an audit report or close-out letter to the CSP finalizing the tax compliance audit.</p>