

FOR VOTE BY NOVEMBER 19, 2015



**IFTA FULL TRACK FINAL BALLOT PROPOSAL
#03-2014**

Sponsor

IFTA Audit Committee

Date Submitted

September 11, 2015

Proposed Effective Date

January 1, 2017

Manual Sections to be Amended

(January 1996 Version, Effective July 1, 1998, as revised)

Articles of Agreement

R247 RECORDS
R305 LICENSE REQUIREMENTS
R1010 RETAIL FUEL PURCHASES
R1020 BULK FUEL PURCHASES
R1320 AUDIT REQUIREMENTS
R1330 AUDIT MANUAL
R1340 REVIEW/REVISION OF AUDIT REQUIREMENTS
R1350 JOINT AUDITS
R1370 AUDIT REPORTS
R1380 COMMUNICATION OF AUDIT FINDINGS
R1390 AUDIT APPEALS
R1555 COMPLIANCE MATTERS

Procedures Manual

P500 RECORDKEEPING
P510 RETENTION AND AVAILABILITY OF RECORDS
P520 BURDEN OF PROOF
P530 ADEQUACY OF RECORDS
P540 DISTANCE RECORDS
P550 FUEL RECORDS
P560 SUMMARIES
P570 INADEQUATE RECORDS
P600 ELECTRONIC DATA RECORDING SYSTEMS (ALL
SECTIONS DELETED)

Audit Manual

A100	INTRODUCTION
A200	GENERAL STANDARDS
A220	EXAMINATION STANDARDS
A230	REPORTING STANDARD
A300	IFTA AUDIT STANDARDS
A310	NUMBER OF AUDITS
A320	SELECTION OF AUDITS
A400	PERSONNEL QUALIFICATIONS AND RESPONSIBILITIES
A410	ADMINISTRATION
A420	AUDIT STAFF
A500	GENERAL GUIDELINES
A510	UNIFORMITY
A520	STANDARD APPROACH
A530	SAMPLING
A540	VERIFICATION OF LICENSEE RECORDS
A550	INADEQUATE LICENSEE RECORDS/ASSESSMENT
A600	THE AUDIT PROCESS
A610	AUDIT NOTIFICATION
A620	AUDIT COMMUNICATION BETWEEN JURISDICTIONS
A630	OPENING CONFERENCE
A640	EVALUATION OF INTERNAL CONTROLS
A650	CLOSING CONFERENCE
A660	AUDIT REPORTS
A670	AUDIT DOCUMENTATION
A680	AUDIT FILE CONTENT
A690	COMMUNICATION OF AUDIT FINDINGS
A700	COMPLIANCE
A710	FOLLOW UP VISITS
A720	REMINDER LETTERS
A730	PRESUMPTION OF FINDINGS

Subject

Changes are proposed for the Articles of Agreement, Audit Manual, and Procedures Manual.

History/Digest

This ballot proposal is being made to address:

1. Technological advances in the generation of records for Licensee operations. An increased reliance on electronic systems and their configuration have made many of the requirements contained in P500 and P600 obsolete. IRP requirements have been changed to address this fact. An effort has been made to match these requirements in regard to distance records.
2. The Audit Manual has been updated to include the member jurisdiction requirements for which members will be held accountable during Program Compliance Reviews. Items that are not requirements are moved to the Best Practices Guide. The use of "must/shall" and "should" are introduced where "must/shall" is an absolute requirement while "should" is a requirement that if not fulfilled requires documentation of why the action could not take place.

3. Licensee recordkeeping requirements located in the Procedures Manual have been consolidated into a single section under P500 and P600 has been deleted as a result.

Intent

1. Provide distance reporting requirements for IFTA that address technological advances in the recording of qualified motor vehicle travel, regardless of media.
2. Modify the Audit Manual to enhance uniformity in the conduct of audits and in the content of the Interjurisdictional audit report.

1 **Interlining Indicates Deletion; Underlining Indicates Addition**

2
3 **ARTICLES OF AGREEMENT**

4
5 **ARTICLE II**
6 **DEFINITIONS**

7
8 **R247** Records means information created, received, and maintained by an organization or person in the
9 transaction of business, or in the pursuance of legal obligations, regardless of media.

10
11 ***[ALL OTHER SECTIONS REMAIN UNCHANGED]***

12
13 **ARTICLE III**
14 **APPLICATION AND RENEWAL**

15
16 **R305 LICENSING REQUIREMENT**

17
18 Any person based in a member jurisdiction operating a qualified motor vehicle(s) in two or more
19 member jurisdictions is required to license under this Agreement, except as indicated in IFTA Articles
20 of Agreement Sections R310 and R500.

21
22 If a jurisdiction determines that a person required to become licensed under this Agreement has
23 failed to do so, the jurisdiction is specifically authorized to assess and collect any and all fuel taxes
24 due from such person for all member jurisdictions in accordance with IFTA Articles of Agreement
25 Sections R1100 and R1200.

26
27 **ARTICLE X**
28 **TAX PAID PURCHASES**

29
30 ***[SECTION *R1000 REMAINS UNCHANGED]***

31
32 ***R1010 RETAIL FUEL PURCHASES**

33 **.100** A licensee may claim a tax-paid credit on the IFTA tax return for fuel purchased
34 at retail only when the fuel is placed into the fuel tank of a qualified motor vehicle
35 and the purchase price includes fuel tax paid to a member jurisdiction.

36
37 **.200** The receipt must show evidence of tax paid directly to the applicable jurisdiction or
38 at the pump. Specific requirements for these receipts are outlined in the IFTA
39 Procedures Manual Section P550. No member jurisdiction shall require evidence of
40 such purchases beyond what is specified in the Procedures Manual.

41
42 **.300** In the case of a lessee/lessor agreement, receipts for tax-paid purchases may be in
43 the name of either the lessee or the lessor provided a legal connection can be made
44 to the tax reporting party.

45
46 ***R1020 BULK FUEL PURCHASES**

47 **.100** Storage fuel is normally delivered into fuel storage facilities by the licensee, and fuel
48 tax may or may not be paid at the time of delivery.

49
50 **.200** A licensee may claim a tax-paid credit on the IFTA tax return for fuel withdrawn
51 from bulk storage only when the fuel is placed into the fuel tank of a qualified

52 motor vehicle; the bulk storage tank is owned, leased, or controlled by the
53 licensee; and either the purchase price of the fuel includes fuel tax paid to the
54 member jurisdiction where the bulk fuel storage tank is located or the licensee
55 has paid fuel tax to the member jurisdiction where the bulk fuel storage tank is
56 located.

57
58 **.300** The licensee's records must identify the quantity of fuel taken from the licensee's
59 own bulk storage and placed in its qualified motor vehicles. Recordkeeping
60 requirements for tax paid bulk fuel purchases are provided in IFTA Procedures
61 Manual Section P550.

62
63 **ARTICLE XIII**
64 **AUDITS**

65
66 ***[SECTIONS *R1310 AND *R1360 REMAIN UNCHANGED]***

67
68 **~~R1320 UNLICENSED CARRIER AUDITS-AUDIT REQUIREMENTS~~**

69
70 ~~If a jurisdiction determines through a fuel use tax audit that a person required to become licensed~~
71 ~~with that jurisdiction under this Agreement has failed to do so, the jurisdiction is specifically~~
72 ~~authorized to assess and collect any and all fuel taxes due from such person for all member~~
73 ~~jurisdictions in accordance with IFTA Articles of Agreement Sections R1100 and R1200.~~

74
75 Audits conducted by member jurisdictions under this Article shall comply with all the requirements
76 contained in the Agreement, Procedures Manual and Audit Manual.

77
78 **~~*R1330-AUDIT REQUIREMENTS-MANUAL~~**

79
80 ~~Audits conducted by member jurisdictions shall be in compliance with all requirements~~
81 ~~established in the Agreement, Procedures Manual, and Audit Manual.~~

82
83 The Audit Manual shall contain rules for the performance of audits conducted under this
84 Agreement, and for the maintenance by member jurisdictions of an audit staff sufficient to perform
85 such audits.

86
87 **~~R1340-AUDIT MANUAL~~**

88
89 ~~The Audit Manual contains guidelines, forms, and audit methods which are in accordance with~~
90 ~~accepted audit practices, including criteria for sampling and selection procedures and audit file~~
91 ~~selection.~~

92
93 ~~The guidelines will relate to various attributes that may be indicative of noncompliance. Proof of~~
94 ~~operation information, such as vehicle observations, enforcement citations, etc., from all member~~
95 ~~jurisdictions will be used by the base jurisdiction in testing audit attributes. This proof of operation~~
96 ~~information will also be used in motor carrier audits to determine if specific trips associated with such~~
97 ~~information are accounted for in carrier records.~~

98
99 **~~R1350~~ REVIEW/REVISION OF AUDIT REQUIREMENTS**

100
101 **.100** The Audit Committee shall review the audit requirements of this Agreement at least once
102 every three years.

103
104 **.200** Proposed changes shall be subject to approval and adopted by the member
105 jurisdictions in accordance with IFTA Articles of Agreement Section R1600.

106
107 **.300** Changes to the Audit Manual shall not be effective with less than a one-year
108 notification, unless unanimously approved for an earlier date.

109
110 **R1350 JOINT AUDITS**

111
112 An audit of a licensee may be conducted jointly by the base jurisdiction and one or more other
113 member jurisdictions. In such cases, the base jurisdiction shall direct the conduct of the audit.
114 Non-base jurisdictions are responsible for their own audit expenses. Each member jurisdiction
115 that participates in a joint audit shall receive full credit under A250 for the performance of an
116 audit.

117
118 **R1370 JOINT AUDITS**

119
120 ~~In the event that the base jurisdiction requests assistance from other member jurisdictions in the~~
121 ~~conduct of an audit, all members participating in the audit shall receive credit toward achieving their~~
122 ~~audit requirements. In that event, the jurisdictions shall pay all the audit expenses.~~

123
124 **R1370 AUDIT REPORTS**

125
126 .100 In accordance with A460, upon the completion of an audit, the base jurisdiction shall
127 provide an audit report to the licensee and to all member jurisdictions in which the
128 licensee reported or should have reported distance or fuel during the period covered by
129 the audit. The time periods specified in Sections R1360 and R1390 shall begin on the
130 date on which the base jurisdiction provides the final audit report to the licensee.

131
132 .200 The base jurisdiction shall, on request, furnish copies of audit reports and audit work
133 papers to another member jurisdiction. A copy of the audit report, work papers,
134 supporting documentation and any pertinent post-audit communications must be
135 maintained by the base jurisdiction as part of the audit file for the period set forth in P910.

136
137 .300 Any schedules and worksheets used to support the audit findings must be made
138 available to the licensee if requested.

139
140 **R1380 COMMUNICATION OF AUDIT FINDINGS**

141
142 Fuel tax adjustments resulting from audit findings will be documented and included on monthly
143 transmittals.

144
145 In the event that the results of an audit indicate funds owed to affected member jurisdictions and
146 the licensee remits payment in full on or before the due date established by the base jurisdiction,
147 such funds shall be remitted by the base jurisdiction to affected member jurisdictions in the
148 manner and at the time prescribed by P1040.

149
150 In the event the base jurisdiction sends or causes to be sent a transmittal to a member jurisdiction
151 which shows money owing to the base jurisdiction, the jurisdiction being billed shall remit
152 payment to the base jurisdiction as prescribed by P1040.

Should a licensee fail to remit payment in full on or before the due date established by the base jurisdiction, the base jurisdiction may choose one of the following options in remitting audit funds to affected member jurisdictions:

Option 1

The base jurisdiction may remit any additional money owed by a licensee to affected member jurisdictions when payment is received. Upon receipt of a partial payment, the base jurisdiction must remit the payment on a pro-rata basis to affected member jurisdictions by the last day of the month following the month in which payment is received from the licensee. Credits due the licensee from one or more affected member jurisdictions shall be considered a payment made by the licensee. Total credits due the licensee and actual payments made by the licensee shall be allocated to each affected member jurisdiction owed based on the following formula:

$$\frac{\text{Net Amount Due a Jurisdiction}}{\text{Total Amount Due all Jurisdictions}} \times \text{Credits and/or Payments Available to allocate}$$

Any audit liability identified by the base jurisdiction but not previously remitted by the base jurisdiction to the affected member jurisdictions, and which is deemed to be uncollectible for one or more of the reasons stated in the IFTA Procedures Manual Section P1060.200.010, must be reported to the affected member jurisdictions as such within 60 days of the after the uncollectible determination.

Option 2

The base jurisdiction may make payment of an audit liability in full to each affected member jurisdiction. If all or a portion of the funds originally remitted to the affected member jurisdictions is subsequently deemed uncollectible for one or more of the reasons stated in the IFTA Procedures Manual Section P1060.200.010, the base jurisdiction will be entitled to a refund of money previously remitted. If a portion of the money previously remitted is deemed to be uncollectible, the amount of the refund due from each affected member jurisdiction shall be calculated on a pro-rata basis applying the same formula set forth in Option 1. Such refund shall be made by an adjustment to a future monthly transmittal. Adjustments made to previously remitted audit results deemed to be uncollectible must be indicated as such on the transmittal.

R1390 AUDIT APPEALS

The base jurisdiction shall provide a licensee at least 30 calendar days from the date the licensee is notified of the findings of an audit or a re-examination to file a written appeal of the audit or reexamination with the base jurisdiction. Such an appeal shall proceed in accordance with the administrative and appellate procedures of the base jurisdiction. Upon the conclusion of the appeal process, the base jurisdiction shall notify all affected member jurisdictions of the results of the appeal.

ARTICLE XV
MEMBERSHIP

***R1555 COMPLIANCE MATTERS**

.100 Dispute Resolution Process

Disputes concerning issues of compliance with the International Fuel Tax Agreement may

205 be resolved pursuant to the IFTA Dispute Resolution Process. The IFTA Dispute Resolution
206 Process may be utilized to resolve only:

207
208 .015 Compliance matters where (i) the Program Compliance Review Process,
209 including follow-up and/or reassessment, has been completed; (ii) a Final
210 Determination Finding of Non-Compliance has been issued by the Program
211 Compliance Review Committee related to Sections R970, R1210, R1230, R1260,
212 R1270, R1370, R1380, P1040, A310250 or A320260, and (iii) a
213 recommendation for initiation of a dispute from the Program Compliance Review
214 Committee has been approved by the member jurisdictions as defined in Article
215 R1555.300.

216
217 **.200 Submission of a Final Determination Finding of Non-Compliance to the Membership**

218
219 A Final Determination Finding of Non-Compliance issued by the Program Compliance
220 Review Committee related to Sections R970, R1210, R1230, R1260, R1270, R1370,
221 R1380, P1040, A250, or A260, shall be submitted to the membership to determine
222 whether a dispute will be initiated.

223
224 ***[ALL OTHER SECTIONS REMAIN UNCHANGED]***

225
226 **PROCEDURES MANUAL**

227
228 **P500 RECORDKEEPING**

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230 **P510 RETENTION AND AVAILABILITY OF RECORDS**

231
232 A licensee shall retain the records of its operations to which IFTA reporting requirements apply for
233 a period of four years following the date the IFTA tax return for such operations was due or was
234 filed, whichever is later, plus any period covered by waivers or jeopardy assessments.

235
236 A licensee must preserve all fuel and distance records for the period covered by the quarterly tax
237 returns for any periods under audit in accordance with the laws of the base jurisdiction.

238
239 On request, the licensee shall make such records available for audit to any member jurisdiction.

240
241 If the licensee's records are not maintained in the base jurisdiction and the base jurisdiction's
242 auditors travel to the location where records are maintained, the base jurisdiction may require the
243 licensee to pay the base jurisdiction's reasonable per diem and travel expenses incurred by the
244 auditor or auditors in performance of an audit.

245
246 Following the expiration of the time within which an appeal or request for re-audit or
247 reexamination may be filed under R1360 and R1390, and except in cases of fraud, the findings of
248 an audit, re-audit, or reexamination shall be final as to all member jurisdictions and as to the
249 licensee audited.

250
251 Unless a waiver of the statute of limitations is granted by the licensee, no assessment for
252 deficiency or any refund shall be made for any period for which the licensee is not required to
253 retain records. A licensee's request for refund shall extend the period for which records
254 pertaining to the refund must be retained until the request is granted or denied.

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***P510 — PRESERVATION OF RECORDS**

~~.100 — The licensee is required to preserve the records upon which the quarterly tax return or annual tax return is based for four years from the tax return due date or filing date, whichever is later, plus any time period included as a result of waivers or jeopardy assessments.~~

~~.200 — Failure to provide records demanded for audit purposes extends the four year record retention requirement until the records are provided.~~

~~.300 — Records may be kept on microfilm, microfiche, or other computerized or condensed record storage system acceptable to the base jurisdiction.~~ **P520 BURDEN OF PROOF**

In an IFTA audit, the burden of proof is on the licensee. The audit will be completed using the best information available to the base jurisdiction.

P520 — AVAILABILITY OF RECORDS

~~.100 — Records shall be made available upon request by any member jurisdiction and shall be available for audit during normal business hours.~~

~~.200 — If records to be audited are located outside of the base jurisdiction, and the base jurisdiction must send auditors to the place records are kept, the licensee may be required to reimburse the base jurisdiction for reasonable per diem and travel expenses of its auditors as authorized by law.~~

P530 ADEQUACY OF RECORDS

The records maintained by a licensee under this article shall be adequate to enable the base jurisdiction to verify the distances traveled and fuel purchased by the licensee for the period under audit and to evaluate the accuracy of the licensee's distance and fuel accounting systems for its fleet.

The adequacy of a licensee's records is to be ascertained by the records' sufficiency and appropriateness. Sufficiency is a measure of the quantity of records produced; that is, whether there are enough records to substantially document the operations of the licensee's fleet. The appropriateness of the records is a measure of their quality; that is, whether the records contain the kind of information an auditor needs to audit the licensee for the purposes stated in the preceding paragraph. Records that are sufficient and appropriate are to be deemed adequate.

Provided a licensee's records are adequate under this definition, the records may be produced through any means, and retained in any format or medium available to the licensee and accessible by the base jurisdiction. If records are presented in a format or in a manner in which the base jurisdiction cannot audit them, they have not been made available as required.

Licensee records which do not contain all of the elements set out in P540, P550 and P560 may still, depending on the sufficiency and appropriateness of the records and of the licensee's operations, be adequate for an audit.

P530 — NON-COMPLIANCE

- 307
308 ~~.100~~ Failure to maintain records upon which the licensee's true liability may be determined or to
309 make records available upon proper request may result in an assessment as stated in IFTA
310 Articles of Agreement Section R1200.
311 ~~.200~~ Non-compliance with any recordkeeping requirement may be cause for revocation of the
312 license. The base jurisdiction may defer license revocation if the licensee shows evidence
313 of compliance for future operations.
314

P540 DISTANCE RECORDS

- 315
316
317 .100 Distance records produced by a means other than a vehicle-tracking system that
318 substantially document the fleet's operations and contain the following elements shall be
319 accepted by the base jurisdiction as adequate under this article:
320
321 .005 the beginning and ending dates of the trip to which the records pertain
322 .010 the origin and destination of the trip
323 .015 the route of travel
324 .020 the beginning and ending reading from the odometer, hubodometer, engine
325 control module (ECM), or any similar device for the trip
326 .025 the total distance of the trip
327 .030 the distance traveled in each jurisdiction during the trip
328 .035 the vehicle identification number or vehicle unit number
329
330 .200 Distance records produced wholly or partly by a vehicle-tracking system, including a
331 system based on a global positioning system (GPS):
332
333 .005 the original GPS or other location data for the vehicle to which the records
334 pertain
335 .010 the date and time of each GPS or other system reading, at intervals sufficient to
336 validate the total distance traveled in each jurisdiction
337 .015 the location of each GPS or other system reading
338 .020 the beginning and ending reading from the odometer, hubodometer, engine
339 control module (ECM), or any similar device for the period to which the records
340 pertain
341 .025 the calculated distance between each GPS or other system reading
342 .030 the route of the vehicle's travel
343 .035 the total distance traveled by the vehicle
344 .040 the distance traveled in each jurisdiction
345 .045 the vehicle identification number or vehicle unit number
346
347 .300 A licensee's reporting of distance may deviate slightly from a calendar quarter basis
348 provided that:
349
350 .005 the beginning and ending dates of the licensee's reported distance reflects a
351 consistent cut-off procedure,
352 .010 the deviations do not materially affect the reporting of the licensee's operations,
353 .015 the deviations do not materially delay the payment of taxes due,
354 .020 the cut-off dates for both distance and fuel are the same, and
355 .025 the base jurisdiction can reconcile the reported distance for the period through
356 audit.
357

358 ***P540 DISTANCE RECORDS**

- 359
- 360 ~~.100 Licensees shall maintain detailed distance records which show operations on an individual~~
- 361 ~~vehicle basis. The operational records shall contain, but not be limited to:~~
- 362
- 363 ~~.005 Taxable and non-taxable usage of fuel;~~
- 364 ~~.010 Distance traveled for taxable and non-taxable use; and~~
- 365 ~~.015 Distance recaps for each vehicle for each jurisdiction in which the vehicle operated.~~
- 366
- 367 ~~.200 An acceptable distance accounting system is necessary to substantiate the information~~
- 368 ~~reported on the tax return filed quarterly or annually. A licensee's system at a minimum,~~
- 369 ~~must include distance data on each individual vehicle for each trip and be recapitulated in~~
- 370 ~~monthly fleet summaries. Supporting information should include:~~
- 371
- 372 ~~.005 Date of trip (starting and ending);~~
- 373 ~~.010 Trip origin and destination;~~
- 374 ~~.015 Route of travel (may be waived by base jurisdiction);~~
- 375 ~~.020 Beginning and ending odometer or hubodometer reading of the trip (may be waived~~
- 376 ~~by base jurisdiction);~~
- 377 ~~.025 Total trip miles/kilometers;~~
- 378 ~~.030 Miles/kilometers by jurisdiction;~~
- 379 ~~.035 Unit number or vehicle identification number;~~
- 380 ~~.040 Vehicle fleet number;~~
- 381 ~~.045 Registrant's name; and~~
- 382 ~~.050 may include additional information at the discretion of the base jurisdiction.~~
- 383

384 **P550 FUEL RECORDS**

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- 386 .100 The licensee shall maintain complete records of all motor fuel purchased, received, or
- 387 used in the conduct of its business, and on request, produce these records for audit. The
- 388 records shall be adequate for the auditor to verify the total amount of fuel placed into the
- 389 licensee's qualified motor vehicles, by fuel type.
- 390
- 391 .110 Retail fuel purchases include all those purchases where a licensee buys fuel from a retail
- 392 station or a bulk storage facility that the licensee does not own, lease, or control.
- 393
- 394 .200 The base jurisdiction shall not accept, for purposes of allowing tax-paid credit, any fuel
- 395 record that has been altered, indicates erasures, or is illegible, unless the licensee can
- 396 demonstrate that the record is valid.
- 397
- 398 .210 The base jurisdiction shall not allow tax-paid credit for any fuel placed into a vehicle other
- 399 than a qualified motor vehicle.
- 400
- 401 .220 The base jurisdiction shall not allow a licensee credit for tax paid on a retail fuel purchase
- 402 unless the licensee produces, with respect to the purchase:
- 403
- 404 .005 a receipt, invoice, or transaction listing from the seller,
- 405 .010 a credit-card receipt,
- 406 .015 a transaction listing generated by a third party, or
- 407 .020 an electronic or digital record of an original receipt or invoice.
- 408

- 409 .300 For tax-paid credit, a valid retail receipt, invoice, or transaction listing must contain:
410
411 .005 the date of the fuel purchase
412 .010 the name and address of the seller of the fuel (a vendor code, properly identified,
413 is acceptable for this purpose)
414 .015 the quantity of fuel purchased
415 .020 the type of fuel purchased
416 .025 the price of the fuel per gallon or per liter, or the total price of the fuel purchased
417 .030 the identification of the qualified motor vehicle into which the fuel was placed
418 .035 the name of the purchaser of the fuel (where the qualified motor vehicle being
419 fueled is subject to a lease, the name of either the lessor or lessee is acceptable
420 for this purpose, provided a legal connection can be made between the
421 purchaser named and the licensee)
422
423 .400 The licensee shall retain the following records for its bulk storage facilities:
424
425 .005 receipts for all deliveries
426 .010 quarterly inventory reconciliations for each tank
427 .015 the capacity of each tank
428 .020 bulk withdrawal records for every bulk tank at each location
429
430 .500 The base jurisdiction shall not allow a licensee tax-paid credit for fuel withdrawn by the
431 licensee from its bulk fuel storage facilities unless the licensee produces records that
432 show:
433
434 .005 the purchase price of the fuel delivered into the bulk storage includes tax paid to
435 the member jurisdiction where the bulk storage is located, or
436 .010 the licensee has paid fuel tax to the member jurisdiction where the bulk storage
437 is located.
438
439 .600 The licensee shall produce for audit records that contain the following elements for each
440 withdrawal from its bulk storage facilities:
441
442 .005 the location of the bulk storage from which the withdrawal was made
443 .010 the date of the withdrawal
444 .015 the quantity of fuel withdrawn
445 .020 the type of fuel withdrawn
446 .025 the identification of the vehicle or equipment into which the fuel was placed
447
448 .700 When alternative fuels are purchased or stored in bulk, these same requirements shall
449 apply, in so far as they are practicable. In instances where, with respect to an alternative
450 fuel, a licensee cannot practicably comply with these requirements, the licensee must
451 maintain records that fully document its purchase, storage, and use of that alternative
452 fuel.
453
454 .800 A licensee's reporting of fuel may deviate slightly from a calendar quarterly basis
455 provided that:
456
457 .005 the beginning and ending dates of the licensee's reported fuel reflects a
458 consistent cut-off procedure,
459 .010 the deviations do not materially affect the reporting of the licensee's

460 operations.
461 .015 the deviations do not materially delay the payment of taxes due,
462 .020 the cut-off dates are the same for distance and fuel, and
463 .025 the base jurisdiction can reconcile the fuel reported in the period through audit.
464

465 ***P550 FUEL RECORDS**

466 .100 The licensee must maintain complete records of all motor fuel purchased, received, and
467 used in the conduct of its business.

468
469 .200 Separate totals must be compiled for each motor fuel type.

470
471 .300 Retail fuel purchases and bulk fuel purchases are to be accounted for separately.

472
473 .400 The fuel records shall contain, but not be limited to:

474
475 .005 The date of each receipt of fuel;

476
477 .010 The name and address of the person from whom purchased or received;

478
479 .015 The number of gallons or liters received;

480
481 .020 The type of fuel; and

482
483 .025 The vehicle or equipment into which the fuel was placed.
484
485

486 ***P560 TAX PAID RETAIL PURCHASES**

487
488 .100 Retail purchases must be supported by a receipt or invoice, credit card receipt, automated
489 vendor generated invoice or transaction listing, or microfilm/microfiche of the receipt or
490 invoice. Receipts that have been altered or indicate erasures are not accepted for tax paid
491 credits unless the licensee can demonstrate the receipt is valid.

492
493 .200 Receipts for retail fuel purchases must identify the vehicle by the plate or unit number or
494 other licensee identifier, as distance traveled and fuel consumption may be reported only for
495 vehicles identified as part of the licensee's operation.

496
497 .300 An acceptable receipt or invoice must include, but shall not be limited to, the following:

498
499 .005 Date of purchase;

500
501 .010 Seller's name and address;

502
503 .015 Number of gallons or liters purchased;

504
505 .020 Fuel type;

506
507 .025 Price per gallon or liter or total amount of sale;

508
509 .030 Unit numbers; and
510

511 .035 — Purchaser's name (See R1010.300 of the IFTA Articles of Agreement).
512

513 **P560 SUMMARIES**
514

515 A monthly summary of the fleet's operations reported on the corresponding quarterly tax return that
516 includes the distance traveled by and the fuel placed into each vehicle in the fleet during the quarter, both
517 in total and by jurisdiction, may be necessary for the efficient audit of the licensee's records. The licensee
518 shall make such summaries available for audit upon due notice and demand by the base jurisdiction.
519

520 ***P570 TAX PAID BULK FUEL PURCHASES**
521

522 ~~.100 — Bulk fuel is delivered into a storage tank owned, leased or controlled by the licensee and~~
523 ~~not delivered directly by the vendor into the supply tank of the qualified motor vehicle.~~
524 ~~Fuel tax may or may not be paid by the licensee to the vendor at the time of the bulk fuel~~
525 ~~delivery. Copies of all delivery tickets and/or receipts must be retained by the licensee.~~
526

527 ~~.200 — Receipts that have been altered or indicate erasures are not accepted for tax-paid credits~~
528 ~~unless the licensee can demonstrate the receipt is valid.~~
529

530 ~~.300 — Bulk fuel inventory reconciliations must be maintained. For withdrawals from bulk storage,~~
531 ~~records must be maintained to distinguish fuel placed in qualified vehicles from other uses.~~
532

533 ~~.400 — A licensee may claim a tax-paid credit on the IFTA tax return for bulk fuel only when the~~
534 ~~bulk storage tank from which the fuel is withdrawn is owned, leased or controlled by the~~
535 ~~licensee; the fuel is placed into the fuel tank of a qualified motor vehicle; and either the~~
536 ~~purchase price of the fuel includes tax paid to the member jurisdiction where the bulk fuel~~
537 ~~storage tank is located or the licensee has paid fuel tax to the member jurisdiction where~~
538 ~~the bulk fuel storage tank is located. The licensee shall maintain the following records:~~
539

540 ~~.005 — Date of withdrawal;~~

541 ~~.010 — Number of gallons or liters;~~

542 ~~.015 — Fuel type;~~

543 ~~.020 — Unit number; and~~

544 ~~.025 — Purchase and inventory records to substantiate that tax was paid on all bulk~~
545 ~~purchases.~~
546

547 ~~.500 — Upon application by the licensee, the base jurisdiction may waive the requirement of unit~~
548 ~~numbers for fuel withdrawn from the licensee's own bulk storage and placed in its qualified~~
549 ~~motor vehicles. The licensee must show that adequate records are maintained to~~
550 ~~distinguish fuel placed in qualified vs. non-qualified motor vehicles for all member~~
551 ~~jurisdictions.~~
552

553 **P570 INADEQUATE RECORDS ASSESSMENT**
554

555 .100 If the base jurisdiction determines that the records produced by the licensee for audit do
556 not, for the licensee's fleet as a whole, meet the criterion for the adequacy of records set
557 out in P530, or after the issuance of a written demand for records by the base jurisdiction,
558

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562 the licensee produces no records, the base jurisdiction shall impose an additional
563 assessment by either:
564
565 .005 adjusting the licensee's reported fleet MPG to 4.00 or 1.70 KPL; or
566
567 .010 reducing the licensee's reported MPG or KPL by twenty percent.
568
569 .200 This section does not affect the ability of a base jurisdiction to disallow tax-paid credit for
570 fuel purchases which are inadequately documented, or, for cause, to conduct a best
571 information available audit which may result in adjustments to either the audited or
572 reported MPG or KPL, suspend, revoke, or cancel the license issued to a licensee.
573

574 ~~*P600~~ ~~ELECTRONIC DATA RECORDING SYSTEMS~~

575
576 ~~*P610~~ ~~OPTIONAL USE FOR FUEL TAX REPORTING~~

577
578 ~~On-board recording devices, vehicle tracking systems, or other electronic data recording systems~~
579 ~~may be used (at the option of the carrier) in lieu of or in addition to handwritten trip reports for tax~~
580 ~~reporting. Other equipment monitoring devices that transmit data or may be interrogated as to~~
581 ~~vehicle location or travel may be used to supplement or verify handwritten or electronically generated~~
582 ~~trip reports.~~

583
584 ~~Any device or electronic system used in conjunction with a device shall meet the requirements stated~~
585 ~~in this Section.~~

586
587 ~~On-board recording or vehicle tracking devices may be used in conjunction with manual systems or~~
588 ~~in conjunction with computer systems.~~

589
590 ~~*P620~~ ~~DEVICES USED WITH MANUAL SYSTEMS~~

591
592 ~~All recording devices must meet the requirements stated in IFTA Procedures Manual Section P640~~
593 ~~and P660.~~

594
595 ~~When the device is to be used alone, printed reports must be produced which replace handwritten~~
596 ~~trip reports. The printed trip reports shall be retained for audit. Vehicle and fleet summaries which~~
597 ~~show miles and kilometers by jurisdiction must then be prepared manually.~~

598
599 ~~P630~~ ~~DEVICES USED WITH COMPUTER SYSTEMS~~

600
601 ~~The entire system must meet the requirements stated in IFTA Procedures Manual Sections P640,~~
602 ~~P650, and P660.~~

603
604 ~~If the printed trip reports will not be retained for audit, the system must have the capability of~~
605 ~~producing, upon request, the reports indicated in IFTA Procedures Manual Section P640.~~

606
607 ~~When the computer system is designed to produce printed trip reports, vehicle and fleet summaries~~
608 ~~which show miles and kilometers by jurisdiction must also be prepared.~~

609
610 ~~*P640~~ ~~DATA COLLECTION REQUIREMENTS~~

611
612 ~~To obtain the information needed to verify fleet distance and to prepare the "Individual Vehicle~~

613 Distance Record”, the device must collect the following data on each trip.
614

615

616 **.100 — Required Trip Data**

617

.005 — Date of Trip (starting and ending);

618

619

.010 — Trip origin and destination (location code is acceptable);

620

621

.015 — ~~Routes of travel or latitude/longitude positions used in lieu thereof (may be waived by base jurisdiction). If latitude/longitude positions are used, they must be accompanied by the name of the nearest town, intersection or cross street. If latitude/longitude positions are used, jurisdiction crossing points must be calculated or identified;~~

622

623

624

625

626

.020 — Beginning and ending odometer or hubodometer reading of the trip (may be waived by base jurisdiction);

627

628

629

.025 — Total trip distance;

630

631

.030 — Distance by jurisdiction;

632

633

.035 — Power unit number or vehicle identification number;

634

635

.040 — Vehicle fleet number; and

636

637

.045 — Registrant's name.

638

639

640 **.200 — Optional Trip Data** (may be included at the discretion of the base jurisdiction)

641

.005 — Driver ID or name; and

642

643

.010 — Intermediate trip stops.

644

645

646 **.300 — Fuel Data**

647

For purposes of fuel tax reporting, the device must collect the following data:

648

649

.005 — Date of purchase;

650

651

.010 — Seller's name and address (vendor code acceptable);

652

653

.015 — Number of gallons or liters purchased;

654

655

.020 — Fuel type (may be referenced from vehicle file);

656

657

.025 — Price per gallon or liter or total amount of sale (required only for purchases from vendors);

658

659

.030 — Unit numbers; and

660

661

.035 — Purchaser's name (in the case of lessee/lessor agreement, receipts will be accepted

662

663

664 in either name, provided a legal connection can be made to reporting party).

665

666 **.400 — Bulk Fuel Data**

667

668 For purposes of bulk fuel tax, the device must collect, in addition, the following data:

669

670 .005 — Date of withdrawal;

671

672 .010 — Number of gallons or liters;

673

674 .015 — Fuel type;

675

676 .020 — Unit number; and

677

678 .025 — Purchase and inventory records to substantiate that tax was paid on all bulk
679 purchases.

680

681 ***P650 — REPORTING REQUIREMENTS**

682

683 The following reports may be prepared by an electronic computer system which accepts data from
684 on-board recording or vehicle tracking devices rather than the recording device itself. The system
685 shall be able to produce the following reports:

686

687 **.100 — Trip Reports**

688

689 An individual Vehicle Distance Record (IVDR) report for each trip that includes the
690 information required in IFTA Procedures Manual Section P640. (Note: This report may be
691 more than one page.)

692

693 **.200 — Summary Reports for Individual Vehicles**

694

695 Monthly, quarterly, and annual summaries of vehicle trips by vehicle number showing miles
696 or kilometers by jurisdiction.

697

698 **.300 — Summary Reports for Fleets**

699

700 Monthly, quarterly, and annual trip summaries by fleet showing the number of miles or
701 kilometers by jurisdictions.

702

703 **.400 — Exception Reports**

704

705 Exceptions that identify all edited data, omissions of required data (see IFTA Procedures
706 Manual Section P640), system failures, noncontinuous life-to-date odometer readings, travel
707 to noncontiguous jurisdictions, and trips where the location of the beginning trip is not the
708 location of the previous trip must be identified.

709

710 **.500 — Calibration Reports**

711

712 .005 — In cases where speed/rpm sensors or odometer/speedometer interface devices
713 are providing pulse inputs to the on-board computer, the system will record the calibration
714 factors used in calculating mileage at time of download from the vehicle to the base

715 computer.
716
717 .010 The fleet shall also keep accurate records of all Engine Control Module
718 calibrations
719

720 ***P660 MINIMUM DEVICE REQUIREMENTS**

721
722 **.100 Certification of Testing**
723

724 The carrier must obtain a certificate from the manufacturer certifying that the design of the
725 on-board recording or vehicle tracking device has been sufficiently tested to meet the
726 requirements of this provision.
727

728 **.200 Security**
729

730 The on-board recording or vehicle tracking device and associated support systems must be,
731 to the maximum extent practicable, tamperproof, and must not permit altering of the
732 information collected. Editing the original information collected will be permitted. All editing
733 must be identified, and both the edited and original data must be recorded and retained.
734

735 **.300 Function Warning**
736

737 The on-board recording or vehicle tracking device shall warn the driver visually and/or
738 audibly that the device has ceased to function.
739

740 **.400 Time and Date Stamping**
741

742 The device must time and date stamp all data recorded.
743

744 **.500 Memory Full Warning**
745

746 The device must not allow data to be overwritten before the data has been extracted.
747 The device shall warn the driver visually and/or audibly that the device's memory is full
748 and can no longer record data.
749

750 **.600 Odometer Update**
751

752 The device must automatically update a life-to-date odometer when the vehicle is placed in
753 motion or the operator must enter the current vehicle odometer reading when the on-board
754 recording or vehicle tracking device is connected to the vehicle.
755

756 **.700 Confirmation of Data Entered**
757

758 The device must provide a method for the driver to confirm that the entered data is correct
759 (e.g., a visual display of the entered data that can be reviewed and edited by the driver
760 before the data is finally stored).
761

762 ***P670 CARRIER RESPONSIBILITIES**

763
764 **.100 Recalibration**
765

766 It is the carrier's responsibility to recalibrate the on-board recording device on mechanical or
767 electronic installations when the tire size changes, the vehicle drive train is modified, or any
768 modifications are made to the vehicle which affect the accuracy of the on-board recording
769 device. The device must be maintained and recalibrated in accordance with the
770 manufacturer's specifications. A record of recalibrations must be retained for the audit
771 retention period.

772
773 **.200 — Data Backup**

774
775 It is the carrier's responsibility to maintain a second copy (back-up copy) of the electronic
776 files either electronically or in paper form for the audit retention period.

777
778 **.300 — Electronic Data Transfers**

779
780 At the discretion of the jurisdiction, carriers may submit records for audit to the jurisdiction
781 through electronic data transfer.

782
783 **.400 — Training of Drivers**

784
785 It is the carrier's responsibility to assure its drivers are trained in the use of the computer
786 system. Drivers shall be required to note any failures of the on-board recording or vehicle
787 tracking device and to prepare manual trip reports of all subsequent trip information until the
788 device is again operational.

789
790 **.500 — Compliance**

791
792 It is the carrier's responsibility to assure the entire recordkeeping system meets the
793 requirements of IFTA. It is suggested that the carrier contact the base jurisdiction IFTA Audit
794 Section for verification of audit compliance prior to implementation.

795
796 **AUDIT MANUAL**

797
798 **INTRODUCTION**

799 ***A100**

800
801 The purpose of these guidelines is to establish a uniform procedure for International Fuel Tax
802 Agreement (IFTA) jurisdictions to follow in establishing jurisdiction audit procedures, employing
803 and supervising audit staff, planning and conducting audits, and reporting audit findings. This
804 procedure eliminates the need for licensees to sustain multiple audits. Further, since an accurate
805 and reliable distance accounting system is an important requirement of both the International
806 Registration Plan (IRP) and IFTA agreements, jurisdictions are encouraged to perform IRP and
807 IFTA audits simultaneously if they are members of both agreements.

808
809 The IFTA requires licensees to pay fuel taxes to each participating jurisdiction commensurate
810 with the distance traveled in each jurisdiction. To fulfill this requirement, an effective and uniform
811 audit program is necessary to verify the integrity of IFTA tax returns. It is essential that the basic
812 audit program adopted by each jurisdiction be uniform and thorough to insure accuracy. It is each
813 jurisdiction's responsibility to provide an adequate audit staff, to conduct an accurate audit in a
814 professional manner, and to submit a full report to each member jurisdiction in which the licensee
815 operated.

816

817 Under the provisions of IFTA, the jurisdiction administrator shall audit the tax returns and
818 supporting documents of licensees based in that jurisdiction. Upon completion of any such audit,
819 the administrator shall notify the licensee and member jurisdictions in which distance was
820 accrued as to the accuracy of the licensee's IFTA tax returns.

821
822 Audit is a critical element of ensuring compliance with the International Fuel Tax Agreement
823 (IFTA). Under the provisions of IFTA, a member jurisdiction must audit, on behalf of all member
824 jurisdictions, the tax returns and supporting documents of licensees based in that jurisdiction. The
825 purpose of this manual is to set standards for auditors and member jurisdictions and to provide
826 guidance and procedures specifically for the performance of IFTA audits.

827
828 The Audit Manual is the basis used by the Program Compliance Review Committee (PCRC) in
829 evaluating a member jurisdiction's compliance with the audit requirements as set forth in Article
830 XIII of the Agreement. When the Audit Manual uses the word "must" or "shall" in connection with
831 a procedure, this indicates an unconditional requirement for a member jurisdiction and a subject
832 for compliance review. The use of the word "should" in the Audit Manual also indicates a
833 requirement for a member jurisdiction, although one where noncompliance will be accepted if the
834 jurisdiction has documented the relevant circumstances and the reasons for not complying. In all
835 instances where deviation is required, the rationale to support the deviation must be documented
836 in the work papers.

837
838 ***A200 GENERAL AUDITING AUDIT PROGRAM STANDARDS**

839
840 Each member jurisdiction must use an audit program. An audit program provides for uniformity
841 and consistent application of audit procedures, serves as a training tool for new auditors, and
842 facilitates the review of the audit. An audit program does not preclude the use of auditor
843 judgment. Deviations from an audit program are acceptable if they are reasonable given the
844 audit circumstances.

845
846 **A210 GENERAL STANDARDS PROFICIENCY AND DUE PROFESSIONAL CARE**

847
848 The audit is to be performed and the audit report prepared by a person or persons having
849 adequate technical training and proficiency in auditing, while exercising due professional care and
850 maintaining an objective state of mind.

851
852 **.100 Training and Proficiency**

853
854 The examination is to be performed by a person or persons having adequate technical
855 training and proficiency in auditing as outlined in Section A400 of this Manual.

856
857 **.200 Auditor Independence**

858
859 In all matters relating to the assignment, an independence in mental attitude is to be
860 maintained by the auditor. The independent auditor must be without bias with respect to the
861 licensee under audit to ensure the impartiality necessary for the dependability of the findings.
862 However, this independence does not imply the attitude of a prosecutor, but rather a judicial
863 impartiality that recognizes an obligation to fairness.

864
865 **.300 Professional Care**

866
867 Due professional care is to be exercised in performing the examination and preparing the

868 report.

869

870 ***A220 EXAMINATION STANDARDS AUDITOR INDEPENDENCE**

871

872 The audit engagement, the audit organization and the individual auditor, whether government,
873 public or contracted by a member jurisdiction, must be free from personal, external, and
874 organizational impairments to independence, and must avoid the appearance of such
875 impairments to independence.

876

877 **.100 Preaudit Analysis**

878

879 ~~Preaudit analysis shall be conducted and documented. Documentation shall include, but~~
880 ~~is not limited to, an analysis of information reported on the IFTA returns for any unusual~~
881 ~~areas or trends that might need further examination~~

882

882 **.200 Study and Evaluation**

883

884 ~~The auditor is to make a proper study and evaluation of the licensee's internal accounting~~
885 ~~controls to determine their reliability and the extent to which auditing procedures are to be~~
886 ~~restricted.~~

886

887 ***A230 REPORTING STANDARD PLANNING AND SUPERVISION**

888

889 The base jurisdiction shall adequately plan and supervise audits, and shall maintain
890 documentation of such planning and supervision in the audit files. Documentation of these
891 factors, by way of example, include work papers showing analysis of reported figures,
892 observations regarding the licensee's account, and records of communication between the
893 auditor and his or her supervisor. Documentation that the auditor's proposed audit results were
894 reviewed for accuracy and for compliance with IFTA requirements shall be included in the audit
895 file.

896

897 ~~The report shall contain a clear statement of the scope of the audit and must also clearly state and~~
898 ~~describe the results of the auditor's examination.~~

899

900 ***A240 AUDITOR QUALIFICATIONS AND RESPONSIBILITIES**

901

902 .100 Each member jurisdiction is responsible for the staffing of qualified auditors based on the
903 member jurisdiction's personnel guidelines.

904

905 .200 Auditors should conduct themselves in a manner promoting cooperation and good
906 relations with licensees and member jurisdictions.

907

908 .300 Auditors must give all licensees and member jurisdictions fair consideration.

909

910 .400 Each member jurisdiction must ensure its auditors maintain proficiency in IFTA auditing
911 by providing training opportunities through internal or external training sources.

912

913 .500 The auditor must make a reasonable attempt to verify information reported on the tax
914 returns.

915

916 **A250 NUMBER OF AUDITS**

917

918 Base jurisdictions will be held accountable for audits and will be required to complete audits of an

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919 average of 3 percent per year of the number of IFTA accounts required to be reported by that
920 jurisdiction on the annual reports filed pursuant to the IFTA Procedures Manual, Section
921 P1110.300.005 excluding new licensees, for each year of the program compliance review period,
922 other than the jurisdiction's IFTA implementation year. Such audits shall cover at least one
923 license year. This does not preclude audits of individual licensees several times during the
924 program compliance review period. However, audits of a single licensee that cover multiple
925 license years, fuel types, or both shall be counted as one audit for program compliance review
926 purposes.

927 **A260 SELECTION OF AUDITS**

928 The following guidelines shall be used in selecting audits to fulfill the IFTA auditing requirements:

929 **.100 Low-Distance/High-Distance Accounts Requirement**

930 At least 15 percent of each member jurisdiction's audit requirement shall involve low-
931 distance accounts. Low-distance accounts are considered to be the 25 percent of the
932 previous year's licensees who had the lowest number of miles/kilometers reported in all
933 member jurisdictions. At least 25 percent of each member jurisdiction's audit requirement
934 shall involve high-distance accounts. High-distance accounts are considered to be the 25
935 percent of the previous year's licensees who had the highest number of miles/kilometers
936 reported in all member jurisdictions.

937 **.200 Low-Distance/High-Distance Computations**

938 Low-distance computations and high-distance computations shall be based on total
939 miles/kilometers reported by all IFTA licensees included on the annual report filed by the
940 jurisdiction pursuant to the IFTA Procedures Manual, Section P1110.300.005 excluding
941 new licensees, but including licensees who report no operations during a quarter, for the
942 first three quarters of each calendar year.

943 **A300 IFTA AUDITING STANDARDS AUDIT PROCEDURES**

944 ***A310 NUMBER OF AUDITS PRELIMINARY AUDIT PROCEDURES**

945 Base jurisdictions will be held accountable for audits and will be required to complete audits of an
946 average of 3 percent per year of the number of IFTA accounts required to be reported by that
947 jurisdiction on the annual reports filed pursuant to the IFTA Procedures Manual, Section
948 P1110.300.005 excluding new licensees, for each year of the program compliance review period,
949 other than the jurisdiction's IFTA implementation year. Such audits shall cover at least one
950 license year. This does not preclude audits of individual licensees several times during the
951 program compliance review period. However, audits for a licensee selected that cover multiple
952 license years, fuel types, or both shall be counted as one audit for program compliance review
953 purposes.

954 The purpose of performing preliminary audit procedures is to familiarize the auditor with the
955 licensee's business and reporting history.

956 **.100** The auditor must identify, and document in the audit file, the licensee's vehicles operated
957 in the audit period, and vehicle characteristics that might affect the audit.

1021 and fuel accounting systems, must be documented in the audit report.

1022
1023 **A330 SAMPLING AND PROJECTION**

1024
1025 Unless a specific situation dictates, all audits will be conducted on a sampling basis.

1026
1027 .100 Sample period(s) must be representative of the licensee's operations.

1028
1029 .200 Sample period(s) may be different for member jurisdictions due to seasonal
1030 operations.

1031 When the summary information does not match information reported on the quarterly returns, the
1032 auditor must attempt to determine the reason for the discrepancy. The auditor must also
1033 determine whether to project the sample findings per the summaries or tax returns. It is generally
1034 preferable to project to summary distance and fuel (corrected as necessary). The auditor must
1035 document in the audit file and note in the audit report the conclusions made as to whether the
1036 distance and fuel per summary or tax return has sufficient accuracy and reliability to be used in
1037 sampling projections.

1038
1039 If the base jurisdiction utilizes a distance software program to verify the records of the licensee,
1040 that software program shall be used as an audit tool for verification of reported distances.

1041
1042 **A340 UNREPORTED DISTANCE**

1043
1044 If the auditor discovers distance that was unreported, and cannot ascertain where that distance
1045 was traveled, the distance shall be allocated using a rational and unbiased approach. The
1046 reasoning for the approach must be documented in the audit file.

1047
1048 **A350 AUDIT ADJUSTMENTS**

1049
1050 .100 When records for the fleet as a whole are adequate for audit, the base jurisdiction shall
1051 have the authority to adjust the MPG or KPL.

1052
1053 .200 In instances where the records for specific vehicles in the fleet under audit are
1054 substantially impaired or missing, the base jurisdiction may make audit adjustments for
1055 fuel and distance for those vehicles based on factors such as:

1056
1057 .005 Prior experience of the licensee;

1058
1059 .010 Licensees with similar operations;

1060
1061 .015 Other vehicles in the fleet with similar operations;

1062
1063 .020 Industry averages;

1064
1065 .025 Records available from fuel distributors or other third parties;

1066
1067 .030 Other pertinent information the base jurisdiction may obtain or examine;

1068
1069 .300 If the base jurisdiction determines that such factors as those in A350.200 fail to provide a
1070 basis to support an audit adjustment, the jurisdiction may, for the specific vehicles at
1071 issue, either

- 1072
1073 .005 reduce the vehicle MPG or KPL by 20% or
1074
1075 .010 adjust the vehicle MPG to 4.00 or the KPL to 1.7.
1076
1077 .400 Nothing in this section shall affect the grant or denial of credits for tax-paid fuel in
1078 accordance with P550.
1079

1080 **A360 REDUCTION TO TOTAL FUEL**

1081 The total fuel reported by a licensee shall only be reduced when there is clear proof, based on the
1082 records provided by the licensee, to support such a reduction and such proof is documented in
1083 the audit file. The absence of tax paid fuel receipts and a subsequent denial of tax-paid credits
1084 claimed does not, in and of itself, warrant a reduction to reported total gallons.
1085
1086

1087 **A400 PERSONNEL QUALIFICATIONS AND RESPONSIBILITIES AUDIT COMMUNICATIONS**

1088
1089 All audit communication, both written and oral, must be documented in the audit file.
1090

1091 ***A410 ADMINISTRATION**

- 1092
1093 ~~.100 Member jurisdictions are responsible for the staffing of auditors who meet the qualifications~~
1094 ~~of that jurisdiction's personnel guidelines.~~
1095
1096 ~~.200 Member jurisdictions are responsible for proper training of audit and audit support staffs in~~
1097 ~~audit planning and audit procedures. There must be supervisory follow-up and review of the~~
1098 ~~auditor's procedures.~~
1099
1100 ~~.300 Member jurisdictions are responsible for the actions of their auditors.~~
1101
1102 ~~.400 The audit file shall contain documentation that any adjustments were reviewed and~~
1103 ~~discussed with licensees representative prior to or concurrently with the issuance of the~~
1104 ~~final audit report unless the licensees are unavailable and this is noted by the auditor in~~
1105 ~~the audit report.~~
1106

1107 **A410 COMMUNICATIONS BETWEEN JURISDICTIONS**

1108
1109 Jurisdictions may contact each other to obtain pertinent information in accordance with each
1110 jurisdiction's disclosure policy.
1111

1112 ***A420 AUDIT STAFF**

- 1113
1114 ~~.100 All licensees are subject to audit. In all matters relating to the audit work, the audit~~
1115 ~~organization and the individual auditors must be personally and organizationally~~
1116 ~~independent from the licensee.~~
1117
1118 ~~.200 Auditors must conduct audits giving each member jurisdiction equal consideration.~~
1119
1120 ~~.300 Auditors shall audit all licensees under a uniform program unless special circumstances~~
1121 ~~that dictate otherwise are documented.~~
1122

1123 **A420 NOTIFICATION**

1124
1125 .100 The licensee should be contacted at least 30 days prior to the conduct of an audit.
1126 Through the initial or subsequent audit contacts, the licensee must be advised of the
1127 audit period, the type of records to be audited, and the proposed audit start date.

1128
1129 .200 The base jurisdiction may begin the audit within the 30 day notification period with
1130 agreement from the licensee, or for just cause.

1131
1132 **A430 REQUEST FOR RECORDS**

1133
1134 The auditor must request the appropriate records to conduct an audit of the selected audit period.

1135
1136 **A440 OPENING CONFERENCE**

1137
1138 A documented opening conference should be held with the licensee to discuss the licensee's
1139 operations, distance and fuel accounting system, audit procedures, records to be examined,
1140 sample period, sampling procedures, etc.

1141
1142 **A450 CLOSING CONFERENCE**

1143
1144 A documented closing conference should be held with the licensee during which any areas of
1145 non-compliance, and any requirements and recommendations for improvement to the distance
1146 and fuel accounting systems are discussed.

1147
1148 **A460 AUDIT REPORT**

1149
1150 An audit report, including a narrative and a billing summary documenting the audit, must be
1151 prepared by the base jurisdiction and provided to the licensee and all affected member
1152 jurisdictions. Where appropriate a checklist may serve this purpose. A copy of the audit report
1153 must be kept in the audit file. The base jurisdiction should send the audit report to all affected
1154 jurisdictions at the same time it sends the final report to the licensee. The audit report must
1155 contain:

1156
1157 .100 General Information:
1158
1159 .005 Name of base jurisdiction
1160 .010 Auditor's name
1161 .015 Licensee's name
1162 .020 Licensee's address
1163 .025 Licensee's phone (where required)
1164 .030 Licensee's representative
1165 .035 Account number
1166 .040 Fleet number (where applicable)
1167 .045 USDOT number (where required)
1168 .050 Audit Period
1169 .055 Summary of licensee's business operations
1170 .060 Note trends or variances

1171
1172 .200 Summary of the Evaluation of Internal Controls:

1173

- 1174 .005 Reliability of internal controls
- 1175 .010 Strengths and weaknesses in internal controls
- 1176 .015 Changes in the licensee's accounting procedures during the audit period
- 1177
- 1178 .300 The opening and closing conference dates and attendees or reason why, if not held
- 1179
- 1180 .400 Sampling Methodology Information:
- 1181
- 1182 .005 Description of sampling methodology or reason sampling was not performed
- 1183 .010 The periods and vehicles sampled
- 1184
- 1185 .500 Distance and Fuel Examination:
- 1186
- 1187 .005 Identify source documents used by the licensee to determine distance and fuel
- 1188 .010 Identify the information in the source documents
- 1189 .015 Describe procedures used to verify reported distance, fuel and MPG/KPL
- 1190 .020 Explanation of distance and fuel adjustments
- 1191 .025 Note any discrepancies between summaries and licensee's tax returns
- 1192 .030 Auditor's evaluation of adequacy of records
- 1193
- 1194 .600 Summary:
- 1195
- 1196 .005 The report must indicate the procedures, findings, any requirements to become
- 1197 compliant and any additional information deemed necessary.
- 1198
- 1199 .700 Billing Summary:
- 1200
- 1201 .005 Net distance adjustment in total;
- 1202 .010 Net distance adjustment by jurisdiction;
- 1203 .015 Net tax paid fuel purchases adjustment;
- 1204 .020 MPG/KPL as reported;
- 1205 .025 MPG/KPL as a result of audit;
- 1206 .030 Net fuel tax adjustment per jurisdiction
- 1207 .035 Reported tax by jurisdiction;
- 1208 .040 Audited tax by jurisdiction;
- 1209 .045 Penalty;
- 1210 .050 Interest by jurisdiction; and
- 1211 .055 total by jurisdiction.
- 1212

A470 AUDIT FILE CONTENTS

In addition to a copy of the audit report and any pertinent post-audit communications concerning the audit, the audit file will shall contain, but not be limited to, at least the following information:

.100 Schedules

- .005 Supplementary Schedules

Supplementary schedules shall provide additional detail corroborating the results reflected in the Billing summary required in A460. These S schedules will shall

1225 contain, but not be limited to, schedules showing illustrate how the audited fuel
1226 and distances were calculated and the computation of adjustment factors
1227 determined from a sample, if applicable.

1228
1229 **.200 Support Documentation**

1230
1231 **.005 Detail Information**

1232
1233 Information, in the form of schedules, working papers or examples that
1234 documentis documentation of actual the records reviewed, which and support the
1235 audit results. Detail information includes, but is not limited to, the following; Such
1236 information shall include detail of retail and/or bulk purchases, detail of bulk fuel
1237 withdrawals, and analysis of trips audited, showing audited distance in total and
1238 per jurisdiction. This information may be maintained on a workpaper or
1239 electronically, on a database.

1240
1241 **.010 Listing of Records Maintained**

1242
1243 A listing of records, which maintained shall indicate what records are maintained
1244 and presented by the licensee and whether those records comply with the
1245 Agreement.

1246
1247 ~~**.015** A synopsis of opening and closing conference notes with licensee indicating date
1248 and persons attending~~

1249
1250 **A500** _____ **GENERAL GUIDELINES**

1251
1252 **A510** **UNIFORMITY**

1253
1254 For an audit to be acceptable to all member jurisdictions, it must be conducted in a professional
1255 manner and the results clearly documented. Standard terminology is to be used in reporting audit
1256 findings. (See the IFTA Agreement and Procedures Manual).

1257
1258 Acceptable audit standards provide that several procedures may be employed. However, it is
1259 necessary that each audit reflect adequate information necessary to satisfy the commissioners of the
1260 various member jurisdictions.

1261
1262 ***A520** **STANDARD APPROACH**

1263
1264 Audit emphasis should be placed on evaluation of the licensee's distance accounting system, as
1265 distance allocation by jurisdiction is the basis for determining the licensee's fuel consumption and tax
1266 obligation for each jurisdiction. It is suggested, but not required, that fleet miles/kilometers be verified
1267 to source documentation for at least three representative quarters. The auditor shall also verify that
1268 the total miles/kilometers have been properly distributed to the various jurisdictions.

1269
1270 To determine if the licensee's distance accounting system properly accumulates all distance
1271 generated by units identified to the licensee's operation, not less than three representative months
1272 should be selected for audit with respect to computations of jurisdiction distance via routes traveled
1273 and to assure that all miles/kilometers are reported into the system. In the event that an auditor is
1274 unable to determine any reasonable method to assign or allocate unreported miles/kilometers, such
1275 miles/kilometers shall be assigned to all jurisdictions on the basis of each jurisdiction's audited

1276 percentage of total distance. Any audit adjustment to total fleet miles/kilometers of individual
1277 jurisdictions will require recomputation of the licensee's miles per gallon/kilometers per liter and,
1278 consequently, the fuel tax obligation to various jurisdictions.
1279

1280 **A530—SAMPLING**

1281 Unless a specific situation dictates, all audits will be conducted on a sampling basis.

1282
1283
1284 .100— Sample period(s) must be representative of the licensee's operations.

1285
1286 .200— Sample period(s) may be different for member jurisdictions due to seasonal operations.

1287
1288 .300— The licensee should be allowed input into sample selection if legitimate reasons exist.

1289
1290 .400— An agreement that the sampling methodology is appropriate should be signed by the
1291 licensee and the auditor.
1292

1293 ***A540—VERIFICATION OF LICENSEE RECORDS**

1294
1295 .100— If the licensee's operational records are not located in the base jurisdiction and the base
1296 jurisdiction's auditors must travel to where such records are maintained, the base jurisdiction
1297 may require the licensee to pay the base jurisdiction per diem and travel expenses incurred
1298 by the auditor(s) in performance of such an audit.
1299

1300 .200— The audit will be completed using the best information available to the base jurisdiction. The
1301 burden of proof is on the licensee.
1302

1303 .300— The auditor will make any reasonable attempt to verify information reported on the tax
1304 returns.
1305

1306 .400— If the base jurisdiction utilizes a distance reporting software program to verify the records of
1307 the licensee, that software program shall be used as an audit tool. The auditor must use
1308 discretion when verifying the licensee's records. All documentation required to be
1309 maintained in accordance with Section P540 of the IFTA Procedures Manual, and any other
1310 records used by the licensee to substantiate its distance traveled, must be considered by the
1311 auditor(s) in determining an acceptable distance reporting system and the accuracy of
1312 reported distance traveled.
1313

1314 ***A550—INADEQUATE LICENSEE RECORDS/ASSESSMENT**

1315
1316 .100 **Fuel Use Estimation**

1317
1318 If the licensee's records are lacking or inadequate to support any tax return filed by the
1319 licensee or to determine the licensee's tax liability, the base jurisdiction shall have authority
1320 to estimate the fuel use upon (but is not limited to) factors such as the following:

1321
1322 .005— Prior experience of the licensee;

1323
1324 .010— Licensees with similar operations;

1325
1326 .015— Industry averages;

1327
1328 ~~.020~~ — Records available from fuel distributors; and
1329
1330 ~~.025~~ — Other pertinent information the auditor may obtain or examine.
1331
1332 Unless the auditor finds substantial evidence to the contrary by reviewing the above, in the
1333 absence of adequate records, a standard of 4 MPG/1.7KPL will be used.
1334
1335 ~~.200~~ **Tax Paid Fuel Credits**
1336
1337 When tax paid fuel documentation is unavailable, all claims for tax paid fuel will be
1338 disallowed.
1339

1340 **A600 — THE AUDIT PROCESS**

1341
1342 **A610 — AUDIT NOTIFICATION (new A420)**

1343
1344 At least 30 days prior to conducting a routine audit, the licensee should be contacted in writing and
1345 advised of the approximate date that an audit is to be conducted and the time period the audit will
1346 cover. The notification will provide the licensee the opportunity to make the required records
1347 available and provide assurance the tentative audit schedule is acceptable.
1348

1349 ~~.100~~ — For purposes of documentation and to avoid misunderstanding, a copy of the notification
1350 letter should be incorporated into the audit file detailing the tentative audit date and the
1351 documentation the licensee is required to furnish.
1352

1353 ~~.200~~ — For just cause, notification requirements may be waived.
1354

1355 ~~.300~~ — All pre-audit contact should be confirmed in writing.
1356

1357 ***A620 — AUDIT COMMUNICATION BETWEEN JURISDICTIONS (new A410)**

1358
1359 ~~.100~~ — Jurisdictions may contact each other prior to the audit to obtain pertinent information in
1360 accordance with each jurisdiction's disclosure policy.
1361

1362 ~~.200~~ — Copies of correspondence between the licensee and member jurisdictions that have a
1363 bearing on a tax liability and special instructions that may affect the audit shall be forwarded
1364 to the base jurisdiction in accordance with each jurisdiction's disclosure policy.
1365

1366 ***A630 — OPENING CONFERENCE (new A440)**

1367
1368 ~~.100~~ — Except as defined in A630.200, a documented opening conference shall held with the
1369 licensee outlining the licensee's operation, audit procedures, records to be examined,
1370 sample period, sampling procedures, etc. The method by which said conference takes
1371 place is subject to the base jurisdiction's discretion and may include, but is not limited to, the
1372 following: in person meetings, telephone discussions, written correspondence, facsimile
1373 transmission, and electronic mail messaging. The licensee and auditor should determine
1374 who has the responsibility for the final acceptance of audit findings and who should be
1375 involved in the closing conference.
1376

1377 ~~.200~~ — In those circumstances where an opening conference is not held and/or completed in

1378 accordance with A630.100 because the audit is being performed in accordance with IFTA
1379 Articles of Agreement R1210, documentation must be provided as to why the opening
1380 conference was not held and/or completed.

1381
1382 ~~.300~~ — Open communication between the licensee and auditor is desirable.

1383
1384 ***A640 — EVALUATION OF INTERNAL CONTROL(new A460)**

1385
1386 The auditor's study and evaluation of the licensee's internal accounting control system has several
1387 identifiable phases:

1388
1389 ~~.100~~ — **Review and Documentation**

1390
1391 The review of the system is an information-gathering phase in which the auditor, through
1392 inquiry and observation, determines the licensee's accounting policies and procedures. The
1393 auditor's objective is to obtain an understanding of the flow of transaction processing. As
1394 part of this process, the auditor will:

1395
1396 ~~.005~~ — Find out if there have been changes in the licensee's accounting procedures or
1397 operations during the audit period;

1398
1399 ~~.010~~ — Identify the records that the licensee keeps to support the tax return;

1400
1401 ~~.015~~ — Audit the support documentation and check with the licensee to determine if any
1402 pre-auditing of support documentation is done prior to data entry; and

1403
1404 The auditor documents the understanding of the licensee's system of internal control in the
1405 work papers by completing a questionnaire designed for this purpose or by diagramming or
1406 describing the flow of transactions in flowchart or narrative form.

1407
1408 To clarify this understanding, the auditor may select a few transactions of each transaction
1409 type and trace them through the accounting system from initiation to ultimate recording.

1410
1411 ~~.200~~ — **Preliminary Evaluation**

1412
1413 By studying and evaluating the internal control procedures, the auditor identifies apparent
1414 weaknesses in the internal control system.

1415
1416 ~~.300~~ — **Tests of Compliance**

1417
1418 If controls are inadequate to permit reliance, the auditor may make a more extensive review
1419 and perform tests of compliance. If weaknesses identified in the preliminary evaluation
1420 preclude reliance, or if the auditor believes that more efficient or effective audit tests are
1421 possible without reliance, the auditor will plan audit procedures without any further study and
1422 evaluation of accounting control.

1423
1424 ~~.400~~ — **Report on Weaknesses**

1425
1426 The extensiveness of the review of the system and whether tests of compliance are made
1427 are matters of the auditor's judgment. Any serious weaknesses identified will be formally
1428 reported promptly to the licensee rather than at completion of the audit.

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***A650—CLOSING CONFERENCE**

~~.100~~ — Except as defined in A650.200, a documented closing conference shall held with the licensee outlining preliminary findings to include applicable penalty and interest, recommendations, rights of appeal, and identifying the person to whom the audit report should be addressed. The method by which said conference takes place is subject to the base jurisdiction's discretion and may include, but is not limited to, the following: in person meetings, telephone discussions, written correspondence, facsimile transmissions, and electronic mail messaging.

~~.200~~ — In those circumstances where a closing conference is not held and/or completed in accordance with A650.100 because the audit was completed in accordance with IFTA Articles of Agreement R1210, documentation must be provided as to why the closing conference was not held and/or completed.

***A660—AUDIT REPORTS**

.100—Licensee Audit Report

A complete report documenting the audit must be prepared by the auditor and shall contain, but not be limited to, the following information:

~~.005~~ — Name and address of licensee;

~~.010~~ — Account number;

~~.015~~ — Audit period;

~~.020~~ — Types of records audited;

~~.025~~ — Description of audit techniques employed;

~~.030~~ — Net distance adjustment;

~~.035~~ — Net tax paid fuel purchases adjustment;

~~.040~~ — MPG/KPL as reported;

~~.045~~ — MPG/KPL as result of audit;

~~.050~~ — Net fuel tax adjustment per jurisdiction;

~~.055~~ — Remarks and recommendations; and

~~.060~~ — Signature of auditor or reviewing jurisdictional official and date.

.200—Interjurisdictional Audit Report

The base jurisdiction shall prepare an Interjurisdictional Audit Report utilizing a layout similar to the example report forms contained in appendix A, and shall contain, but not be limited to,

- 1480 the following information:
- 1481
- 1482 .005 — name of base jurisdiction;
- 1483
- 1484 .010 — name and address of licensee;
- 1485
- 1486 .015 — Federal Employer Identification Number or equivalent;
- 1487
- 1488 .020 — reported tax by jurisdiction;
- 1489
- 1490 .025 — audited tax by jurisdiction;
- 1491
- 1492 .030 — penalty;
- 1493
- 1494 .035 — interest by jurisdiction; and
- 1495
- 1496 .040 — total by jurisdiction.

***A670 — AUDIT DOCUMENTATION**

The audit documentation shall accomplish the following:

- 1501
- 1502 ~~.100 — Communicate the results of the audit, showing adjusted distance, fuel and the monetary~~
- 1503 ~~results;~~
- 1504
- 1505 ~~.200 — Document and justify procedures conducted by the auditor;~~
- 1506
- 1507 ~~.300 — Indicate source of audit results. For example, audited fuel determined from retail~~
- 1508 ~~purchase receipts;~~
- 1509
- 1510 ~~.400 — Communicate suggestions and recommendations made to the licensee; and~~
- 1511
- 1512 ~~.500 — Clearly support audit findings.~~

***A680 — AUDIT FILE CONTENTS**

The audit file will contain, but not be limited to, the following:

- 1518 ~~.100 — Schedules~~
- 1519
- 1520 ~~.005 — Summary schedules~~
- 1521
- 1522 ~~Summary schedules shall include reported and audited fuel and distance for~~
- 1523 ~~each affected jurisdiction. They shall also include the assessment or refund for~~
- 1524 ~~the jurisdictions and the net total assessment or refund due for the audit,~~
- 1525 ~~including all penalties and interest.~~
- 1526
- 1527 ~~.010 — Supplementary schedules~~

1529 Supplementary schedules shall provide additional detail for results on the
1530 summary schedules. Supplementary schedules will contain, but not be limited to,
1531 schedules showing how audited fuel and distances were calculated and the
1532 computation of adjustment factors determined from a sample, if applicable.
1533

1534 **.200 — Support Documentation**

1535 **.005 — Detail Information**

1537 Detail Information is documentation of actual records reviewed, which support
1538 the audit results. Detail information includes, but is not limited to, the following;
1539 detail of retail or bulk purchases, detail of bulk fuel withdrawals and analysis of
1540 trips audited, showing audited distance in total and per jurisdiction. This
1541 information may be maintained on a workpaper or electronically, on a database.
1542

1543 **.010 — Listing of Records Maintained**

1544 A listing of records maintained shall indicate what records are maintained and
1545 presented by the licensee and whether the records comply with the Agreement.
1546

1547 **.015 — A synopsis of opening and closing conference notes with licensee indicating date
1548 and persons attending.**

1549 ***A690 — COMMUNICATION OF AUDIT FINDINGS**

1550 **.100 —** Following the close-out conference and any review period deemed necessary, the base
1551 jurisdiction will furnish the licensee with the Licensee Audit Report and its customary notice
1552 of assessment, billing or other notification which would signify the beginning of the licensee's
1553 appeal period.
1554

1555 **.200 —** Within 45 days of furnishing the licensee with the finalized Licensee Audit Report and its
1556 customary notification of assessment or billing, the commissioner shall send an
1557 Interjurisdictional Audit Report to all affected member jurisdictions notifying those
1558 jurisdictions of the accuracy of the records of said licensee and any resulting adjustment of
1559 fuel taxes. An affected jurisdiction is any jurisdiction in which the licensee reported or
1560 accrued miles/kilometers, fuel or experiences any changes in the reported vs. audited
1561 calculations during the audit period. The Licensee Audit Report shall be considered to be
1562 finalized when the notification of assessment or billing issued to the licensee triggers the
1563 right to appeal such assessment or billing. Where a licensee does not agree with the initial
1564 notification of audit findings and the base jurisdiction has granted more time to review the
1565 audit results and/or review additional records before the formal appeals process begins, the
1566 Licensee Audit Report will not be considered finalized.
1567

1568 **.300 —** Member jurisdictions may request copies of the audit reports and work papers. A copy of
1569 the audit report, work papers, supporting documentation and any pertinent post-audit
1570 communications must be maintained by the base jurisdiction as part of the audit file for
1571 the period set forth in P910.
1572

1573 **.400 —** Fuel tax adjustments resulting from audit findings will be documented and included on
1574 monthly transmittals.
1575
1576
1577
1578
1579

1580
1581 ~~.500~~ In the event that the results of audit indicate funds owed to affected member jurisdictions
1582 and the licensee remits payment in full on or before the due date established by the base
1583 jurisdiction, such funds shall be remitted by the base jurisdiction to affected member
1584 jurisdictions in the manner and at the time prescribed by P1040. In the event the base
1585 jurisdiction sends or causes to be sent a transmittal to a member jurisdiction which shows
1586 money owing to the base jurisdiction, the jurisdiction being billed shall remit payment to the
1587 base jurisdiction as prescribed by P1040
1588

1589 ~~.600~~ Should a licensee fail to remit payment in full on or before the due date established by the
1590 base jurisdiction, the base jurisdiction may choose one of the following options in remitting
1591 audit funds to affected member jurisdictions:
1592

1593 **Option 1**

1594
1595 The base jurisdiction may remit any additional money owed by a licensee to affected
1596 member jurisdictions when payment is received. Upon receipt of a partial payment, the
1597 base jurisdiction must remit the payment on a pro-rata basis to affected member jurisdictions
1598 by the last day of the month following the month in which payment is received from the
1599 licensee. Credits due the licensee from one or more affected member jurisdictions shall be
1600 considered a payment made by the licensee. Total credits due the licensee and actual
1601 payments made by the licensee shall be allocated to each affected member jurisdiction
1602 owed based on the following formula:

$$\frac{\text{Net Amount Due a Jurisdiction}}{\text{Total Amount Due all Jurisdictions}} \times \frac{\text{Credits and/or Payments Available}}{\text{to allocate}}$$

1603
1604
1605
1606
1607 Any audit liability identified by the base jurisdiction but not previously remitted by the
1608 base jurisdiction to the affected member jurisdictions, and which is deemed to be
1609 uncollectible for one or more of the reasons stated in the IFTA Procedures Manual
1610 Section P1060.200.010, must be reported to the affected member jurisdictions as such
1611 within 60 days of the after the uncollectible determination.

1612 **Option 2**

1613
1614 The base jurisdiction may make payment of an audit liability in full to each affected
1615 member jurisdiction. If all or a portion of the funds originally remitted to the affected
1616 member jurisdictions is subsequently deemed uncollectible for one or more of the
1617 reasons stated in the IFTA Procedures Manual Section P1060.200.010, the base
1618 jurisdiction will be entitled to a refund of money previously remitted. If a portion of the
1619 money previously remitted is deemed to be uncollectible, the amount of the refund due
1620 from each affected member jurisdiction shall be calculated on a pro-rata basis applying
1621 the same formula set forth in Option 1. Such refund shall be made by an adjustment to a
1622 future monthly transmittal. Adjustments made to previously remitted audit results
1623 deemed to be uncollectible must be indicated as such on the transmittal.
1624

1625 **A700 COMPLIANCE**

1626
1627 **A710 FOLLOW-UP VISITS**

1628
1629 A follow-up courtesy visit to see if audit recommendations have been implemented may be made at
1630 the base jurisdiction's discretion.

1631
1632 **A720—REMINDER LETTERS**

1633 Any follow up reminder letters should be made at the base jurisdiction's discretion.
1635

1636 **A730—PRESUMPTION OF FINDINGS**

1637
1638 The findings of the base jurisdiction's audit as to the amount of fuel taxes due from any licensee shall
1639 be presumed to be correct. However, if the licensee is in disagreement with the original findings, the
1640 licensee may request any or every jurisdiction to audit the licensee's records. Each jurisdiction upon
1641 whom a request is made may elect to accept or deny the request. See IFTA Articles of Agreement
1642 Section R1450.200.
1643

REVISIONS FOLLOWING THE FOURTH COMMENT PERIOD

Under A320, the word “must” has been replaced by the word “should”.

Previous language: “An example of the licensee’s records examined by the auditor must be included in the audit file.”

The sentence now reads: “An example of the licensee’s records examined by the auditor **should** be included in the audit file.”

Under A320.600, the sentence was restructured.

Previous language: “When sampling is appropriate, the auditor should determine the level of testing according to the reliability of the licensee’s internal controls.”

The sentence now reads: “When sampling, the reliability of the licensee’s internal controls should determine the degree to which the records are tested.”

Under A460, the word “final” has been added.

Previous language: “The base jurisdiction should send the audit report to all affected jurisdictions at the same time it sends the report to the licensee.”

The sentence now reads: “The base jurisdiction should send the audit report to all affected Jurisdictions at the same time it sends the **final** report to the licensee.”