



AUDIT MANUAL

January 1996
Effective July 1, 1998

TEXTUAL NOTE

The International Fuel Tax Agreement Audit Manual has been subject to amendments under Section R1600 of the Articles of Agreement. It is the purpose of this publication to provide a commentary when sections have been amended.

The official commentary voted on by the IFTA membership is shown in italics. All commentaries initiate from Consensus Board Interpretations of issues or history/intent segments of IFTA ballots.

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

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

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

A100 See commentary to IFTA Audit Manual Section 680.300 and 680.500 regarding notification of audit results to affected jurisdictions.

A200

GENERAL AUDITING STANDARDS

A210 GENERAL STANDARDS

.100 Training and Proficiency

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

.200 Auditor Independence

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

.300 Professional Care

Due professional care is to be exercised in performing the examination and preparing the report.

A220 EXAMINATION STANDARDS

.100 Study and Evaluation

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

.200 Adequate Planning

The work is to be adequately planned, and assistants, if any, are to be properly supervised.

A200 *Standards in this section have been adapted with permission from AICPA Professional Standards, Copyright (c) 1993 American Institute of Certified Public Accountants, Inc.*

A230 REPORTING STANDARD

The report should contain a clear statement of the scope and results of the auditor's examination.

A310 NUMBER OF AUDITS

Base jurisdictions will be held accountable for audits and will be required to complete audits of an average of 3 percent per year of the IFTA accounts reported by that jurisdiction on the annual reports filed pursuant to the IFTA Procedures Manual, Section P1110.300.005, for each year of the program compliance review period. The first five-year period shall begin one year after a jurisdiction's implementation date. Such audits may cover the corresponding quarters of the three registration years with a minimum of one registration year. This does not preclude audits of individual licensees several times during the three-year period.

A310 *In July 1991, the membership unanimously ratified inclusion of Consensus Board Interpretation, Issue 8, questions 1 and 2, as narrative to IFTA Audit Manual Section A310.*

[EDITOR'S NOTE: In light of the passage of Ballot 14-1995 effective July 1, 1997, Commentary resulting from the ratification of Issue 8, Question 1, is for historical reference only.]

QUESTION 1: *Most states do not begin their IFTA audit program until at least one year's worth of returns are filed. Does the five-year audit requirement begin on the date the state's audit program begins, on the date the state's membership became effective, on the date the state became approved for membership, or on the date that the first three-year audit can be conducted (three years after the first IFTA return was filed)?*

BOARD INTERPRETATION:

The Board consensus was that a jurisdiction should begin its IFTA audit program on its implementation date. The beginning of an IFTA audit program should include, but not be limited to, the hiring of sufficient audit personnel to meet the audit requirements and development and implementation of an auditor training program. Audits will not be performed until one year from the jurisdiction's implementation date.

QUESTION 2: *Effective January 14, 1992, the IFTA audit requirement will change due to Ballot 90-316-2 which changes the percentage from "25 percent every three years to "15 percent every five years". Is the change retroactive or do states have to provide 25 percent coverage up to the effective date and then 15 percent thereafter?*

BOARD INTERPRETATION:

The Board consensus was that the change in percentage of audits from 25 percent every three years to 15 percent every three [sic] years is retroactive to the date of the jurisdiction's implementation.

A310 *In July 1990, the southern states expressed their interest in joining IFTA, but raised several concerns regarding audit policies and procedures. The membership unanimously approved the formation of a subcommittee to address these concerns. The subcommittee recommended modifying the minimum percentage of audits to be performed in a five-year period.*

A310 *In January 1994, concerns were expressed concerning the inability of jurisdictions to meet the first five-year audit requirement. IFTA Ballot 14-95 amended IFTA Audit Manual Section A310 to provide that a jurisdiction's implementation year is not included in the first five-year period and was effective July 1, 1997.*

A310 *IFTA Ballot 6-1997 amended IFTA Audit Manual Section A310 to remove the requirement that, upon completion of an audit, the base jurisdiction shall forward an interjurisdictional audit report to all affected jurisdictions within 30 days and was effective July 1, 1999.*

Commentary continued

A310 *In July 1996, the membership unanimously ratified inclusion of Consensus Board Interpretation, Issue 49-96, as narrative to the IFTA Audit Manual Section A310.*

ISSUE: *For jurisdictions implementing on dates other than January 1, can the required 5-year/15% audit requirement be proportionally reduced to equate to the number of months the jurisdiction is in IFTA that year?*

BOARD INTERPRETATION:

For a jurisdiction implementing on a date other than January 1, an average of 3% per year to equate to the required audits of 15% of a jurisdiction's licensees in a 5-year period will be proportionally reduced to equate to the number of months in IFTA that year. The requirement will be based on the full calendar year for each year after implementation.

A310 *In January 1994, concerns were expressed concerning the diversity of content of IFTA audit reports exchanged among jurisdictions. IFTA Ballot 13-1995 amended IFTA Audit Manual Section A310 to provide for an interjurisdictional audit report and was effective July 1, 1997.*

A310 *IFTA Ballot 7-1996 amended IFTA Audit Manual Section A310 to change the number of audits required to be conducted by member jurisdictions from 15% of IFTA accounts every 5 years to an average of 3% per year of IFTA accounts reported by jurisdictions on their annual reports filed for each year of a program compliance review period and was effective July 1, 1998.*

A310 *In July 1997, the membership unanimously ratified inclusion of Consensus Board Interpretation, Issue 51-97, as narrative to the IFTA Audit Manual Section A310.*

ISSUE: *Would an account that is not registered as an IFTA account, and through an audit it was determined that it was operating as an IFTA carrier, count towards a jurisdiction's IFTA audit quota?*

BOARD INTERPRETATION:

An account that is not registered as an IFTA account, but is determined pursuant to an audit to be operating as an IFTA carrier, will be applied toward a jurisdiction's 15% IFTA audit quota.

A320 SELECTION OF AUDITS

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

.100 Low-Distance/High-Distance Accounts Requirement

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

.200 Low-Distance/High-Distance Computations

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

.300 Waiver of Audit Requirements

The requirements of Section A320.100 may be waived for any or all member jurisdictions only upon the agreement of a majority of the Audit Committee.

A320.100	<i>In July 1990, the membership unanimously approved amending IFTA Ballot 10 to change the audit requirement back to 15 percent for low-distance accounts, to require notification to members of audits only for carriers with over 25 qualified motor vehicles, and to clarify that the repository will provide audit information only to requesting member jurisdictions. Ballot 90-316-3 amended IFTA Audit Manual Sections A320.100, A320.200, and A320.400 effective January 14, 1992.</i>
A320.200	<i>IFTA Ballot 7-1996 amended the IFTA Audit Manual Section A320.200 to provide that low and high distance computations shall be based on total miles/kilometers operated by the IFTA licensees reported on a jurisdiction's annual report, and shall include licensees reporting no operations and was effective July 1, 1998.</i>
A320	<i>IFTA Ballot 1-1997 amended the IFTA Audit Manual to delete Section A320.400 which provided that during January and July of each year, the member jurisdictions must notify IFTA, Inc. of intended audits of licensees with vehicle fleets of over 25 qualified motor vehicles and was effective July 1, 1999.</i>

Commentary Continued

A320.400 **[EDITOR'S NOTE: In light of the passage of Ballot 1-1997, effective July 1, 1999, which removed Section A320.400, Commentary to A320.400 below is for historical reference only.]**

A320.400 See commentary for IFTA Audit Manual Section A320.100 regarding audit requirements for low/high-distance accounts, audit notification, and disclosure of audit information.

A320.400 In July, 1997, the membership ratified inclusion of Consensus Board Interpretation, Issue 53-97, as narrative to the IFTA Audit Manual, Section A320.400

ISSUE: Would a jurisdiction be out of compliance for failing to send a notice in January and July of the first year of implementation to the IFTA repository stating the carriers of more than 25 qualified motor vehicles that they plan to audit?

BOARD INTERPRETATION:

A jurisdiction is not required to send a list of carriers to be audited if no carrier with 25 or more qualified vehicles is to be audited in the six month period. A finding of non-compliance may only be found if it is determined that an audit of a carrier with 25 or more qualified vehicles is audited.

A310 In July 2000, the membership ratified inclusion of Consensus Board Interpretation, Issue 57-00, as narrative
A320 to the IFTA Audit Manual, Sections A310 and A320

ISSUE: Whether the high/low distance audit accountability requirements should be averaged over the review period for purposes of program compliance reviews.

BOARD INTERPRETATION:

The IFTA Audit Manual, Sections A310 and A320, support calculating the high and low distance audit requirements by both an average and an annual calculation method. A Program Compliance Review team will calculate the high and low distance audit requirement using both methods. If a jurisdiction meets the requirements based on either calculation method, a jurisdiction is in compliance.

A400 PERSONNEL QUALIFICATIONS AND RESPONSIBILITIES

A410 ADMINISTRATION

- .100** Member jurisdictions are responsible for the staffing of auditors who meet the qualifications of that jurisdiction's personnel guidelines.
- .200** Member jurisdictions are responsible for proper training of audit and audit support staffs in audit planning and audit procedures. There must be supervisory follow-up and review of the auditor's procedures.
- .300** Member jurisdictions are responsible for the actions of their auditors.
- .400** Member jurisdictions should allow auditors to discuss any discrepancies with licensees.
- .500** Member jurisdictions should allow auditors to make preliminary recommendations to licensees.

A420 AUDIT STAFF

- .100** Auditors must give all licensees equal consideration. There must be no preferential treatment given.
- .200** Auditors must conduct audits giving each member jurisdiction equal consideration.
- .300** Auditors should audit all licensees under a uniform program unless special circumstances dictate otherwise.
- .400** Auditors should conduct themselves in a manner which would promote cooperation and good relations between the base jurisdiction and the licensee.

A500

GENERAL GUIDELINES

A510 UNIFORMITY

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

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

A520 STANDARD APPROACH

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

To determine if the licensee's distance accounting system properly accumulates all distance generated by units identified to the licensee's operation, not less than three representative months should be selected for audit with respect to computations of jurisdiction distance via routes traveled and to assure that all miles/kilometers are reported into the system. In the event that an auditor is unable to determine any reasonable method to assign or allocate unreported miles/kilometers, such miles/kilometers shall be assigned to all jurisdictions on the basis of each jurisdiction's audited percentage of total distance. Any audit adjustment to total fleet miles/kilometers of individual jurisdictions will require recomputation of the licensee's miles per gallon/kilometers per liter and, consequently, the fuel tax obligation to various jurisdictions.

A520 *IFTA Ballot 11-1994 amended IFTA Audit Manual Section A520 to clarify the allocation of unreported miles/kilometers found in an audit.*

A530 SAMPLING

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

- .100** Sample period(s) must be representative of the licensee's operations.
- .200** Sample period(s) may be different for member jurisdictions due to seasonal operations.
- .300** The licensee should be allowed input into sample selection if legitimate reasons exist.
- .400** An agreement that the sampling methodology is appropriate should be signed by the licensee and the auditor.

A540 VERIFICATION OF LICENSEE RECORDS

- .100** If the licensee's operational records are not located in the base jurisdiction and the base jurisdiction's auditors must travel to where such records are maintained, the base jurisdiction may require the licensee to pay the base jurisdiction per diem and travel expenses incurred by the auditor(s) in performance of such an audit.
- .200** The audit will be completed using the best information available to the base jurisdiction. The burden of proof is on the licensee.
- .300** The auditor will make any reasonable attempt to verify reported miles/kilometers.
- .400** If the base jurisdiction utilizes a distance reporting software program to verify the records of the licensee, it shall be used as an audit tool. The auditor must use discretion when verifying the licensee's records. Documentation such as trip records, odometer readings, and other records used by the licensee to substantiate its actual distance records must be considered by the auditor in determining an acceptable distance reporting system.

A540.400

Ballot 11-92 amended IFTA Audit Manual Section A540.400 to provide for use of distance reporting software systems as audit tools effective January 1, 1993.

A550 INADEQUATE LICENSEE RECORDS/ASSESSMENT

.100 Fuel Use Estimation

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

- .005 Prior experience of the licensee;
- .010 Licensees with similar operations;
- .015 Industry averages;
- .020 Records available from fuel distributors; and
- .025 Other pertinent information the auditor may obtain or examine.

Unless the auditor finds substantial evidence to the contrary by reviewing the above, in the absence of adequate records, a standard of 4 MPG/1.7KPL will be used.

.200 Tax Paid Fuel Credits

When tax paid fuel documentation is unavailable, all claims for tax paid fuel will be disallowed.

A550.100 *In July 1994, the membership unanimously ratified inclusion of Consensus Board Interpretation 42-94 as narrative to IFTA Audit Manual Section A550.100.*

ISSUE: *If an auditor deems a carrier's records to be inadequate, but utilizing the methods allowed in Section A550.100 of the Audit Manual can document evidence supporting an MPG/KPL other than a standard 4.00/1.70 does Section A550.100 of the Audit Manual allow the auditor to use that MPG/KPL?*

BOARD INTERPRETATION:

Section A550.100 of the Audit Manual allows for estimation of gallonage based on prior experience of the licensee; licensees with similar operations; industry averages; records available from fuel distributors; and other pertinent information the auditor may obtain or examine. As gallonage is one part of the equation used to determine the MPG/KPL, the auditor may use any or all of the same five (5) methods to determine the MPG/KPL to be used for the audit. The MPG/KPL for the audit may be higher than the standard 4.00/1.70, as established by Section A550.100 or less than the standard 4.00/1.70, as long as sufficient evidence and documentation is included in the working papers.

A550.100 *IFTA Ballot 6-1994 amended IFTA Audit Manual Section A550.100 to clarify the use of 4 miles per gallon in the absence of adequate records to provide that 4 miles per gallon will be used unless substantial evidence to the contrary is found following the guidelines of A550.100 and was effective July 1, 1996.*

A600

THE AUDIT PROCESS

A610 AUDIT NOTIFICATION

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

- .100** For purposes of documentation and to avoid misunderstanding, a copy of the notification letter should be incorporated into the audit file detailing the tentative audit date and the documentation the licensee is required to furnish.
- .200** For just cause, notification requirements may be waived.
- .300** All pre-audit contact should be confirmed in writing.

A620 AUDIT COMMUNICATION BETWEEN JURISDICTIONS

- .100** Jurisdictions may contact each other prior to the audit to obtain pertinent information.
- .200** Copies of correspondence between the licensee and member jurisdictions that have a bearing on a tax liability and special instructions that may affect the audit should be forwarded to the base jurisdiction.

A630 PRE-AUDIT CONFERENCE

- .100** A documented pre-audit conference should be held with the licensee outlining the licensee's operation, audit procedures, records to be examined, sample period, sampling procedures, etc. The licensee and auditor should determine who has the responsibility for the final acceptance of audit findings and who should be involved in the close-out conference.
- .200** Open communication between the licensee and auditor is desirable.

A640 EVALUATION OF INTERNAL CONTROL

The auditor's study and evaluation of the licensee's internal accounting control system has several identifiable phases.

.100 Review and Documentation

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

- .005 Find out if there have been changes in the licensee's accounting procedures or operations during the audit period;
- .010 Identify the accounting codes;
- .015 Identify the records that the licensee keeps to support his reports;
- .020 Audit the support documentation and check with the licensee to determine if any pre-auditing of support documentation is done prior to data entry; and

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

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

.200 Preliminary Evaluation

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

.300 Tests of Compliance

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

.400 Report on Weaknesses

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

A650 CLOSE-OUT CONFERENCE

A documented close-out conference should be 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.

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, the following information:

- .005 name of base jurisdiction;
- .010 name and address of licensee;
- .015 Federal Employer Identification Number or equivalent;
- .020 reported tax by jurisdiction;
- .025 audited tax by jurisdiction;
- .030 penalty;
- .035 interest by jurisdiction; and
- .040 total by jurisdiction.

A660.100 *In January 1994, concerns were expressed concerning the diversity of content of IFTA audit reports exchanged among jurisdictions. IFTA Ballot 13-1995 amended IFTA Audit Manual Section A660 to provide for an interjurisdictional audit report and was effective July 1, 1997.*

A660.200 *See Commentary at IFTA Audit Manual Section A660.100 regarding Interjurisdictional Audit Reports.*

A660.200.015 *Correction page issued in July 2000 to correct typographical error by changing the word "of" to "or".*

A670

AUDIT DOCUMENTATION

The audit documentation shall accomplish the following:

- .100** Communicate the results of the audit, showing adjusted distance, fuel and the monetary results;
- .200** Document and justify procedures conducted by the auditor;
- .300** Indicate source of audit results. For example, audited fuel determined from retail purchase receipts;
- .400** Communicate suggestions and recommendations made to the licensee; and
- .500** Clearly support audit findings.

A680 AUDIT FILE CONTENTS

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

.100 Schedules

.005 Summary schedules

Summary schedules shall include reported and audited fuel and distance for each affected jurisdiction. They shall also include the assessment or refund for the jurisdictions and the net total assessment or refund due for the audit, including all penalties and interest.

.010 Supplementary schedules

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

A670 *Ballot 3-1998 amended IFTA Audit Manual Section A670 to clarify the content of audit documentation and was effective July 1, 2000.*

A680.100 *Ballot 3-1998 amended IFTA Audit Manual Section A680.100 to add a description of summary and supplementary schedules and was effective July 1, 2000.*

.200 Support Documentation and Exhibits

.005 Detail Information

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

.010 Listing of Records Maintained

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

.015 A synopsis of opening and closing conference notes with licensee indicating date, time, and persons attending.

.020 Supporting Exhibits

Supporting exhibits will include, but not be limited to, the following: copies of example trip documents, example taxpayer summaries, example lease agreements, example trip permits, and example trip reports.

A690 COMMUNICATION OF AUDIT FINDINGS

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

A680.200 *Ballot 3-1998 amended IFTA Audit Manual Section A680.200 to add a description of support documentation and exhibits and was effective July 1, 2000.*

R690 *Prior to July 2000, IFTA Audit Manual R690 was Section R680.*

A690.100 *Ballot 6-1997 amended IFTA Audit Manual Section A690.100 to specify that the base jurisdiction will send a licensee audit report and assessment to the audited licensee following the close-out conference and any necessary review period and was effective July 1, 1999.*

- .200** Member jurisdictions may request copies of the audit reports and work papers. Audit reports sent to licensees and member jurisdictions, if requested are to be identical.
- .300** Within 45 days of furnishing the licensee with the Licensee Audit Report and its customary notification of assessment or billing, the commissioner shall prepare an Interjurisdictional Audit Report of audit results and notify all affected jurisdictions of the accuracy of the records of said licensee and any resulting adjustment of fuel taxes. In the event that an appeal hearing has been requested by the licensee, and the issue is unresolved at the conclusion of the 45 day period, the base jurisdiction may delay notification of member jurisdictions for a further 45 days.

A680.300 *In July 1993, the membership unanimously ratified inclusion of Consensus Board Interpretation, Issue 36, as narrative to IFTA Audit Manual Section A680.300.*

ISSUE: *Jurisdictions' exchange of audit information on no-change audits and audits with a change in tax liability (debit or credit).*

BOARD INTERPRETATION:

A no-change audit is defined as an audit for a particular jurisdiction that resulted in no change (debit or credit) to that jurisdiction's tax revenue.

It is not necessary to send the final summary and audit report to a jurisdiction for an audit completed that resulted in no change (debit or credit) for that jurisdiction. These audits completed resulting in no change for a jurisdiction can be listed on the monthly transmittals showing all audits for the month which resulted in no change for that jurisdiction.

[EDITOR'S NOTE: In light of the passage of Ballot 13-1995, effective July 1, 1997, Commentary resulting from the ratification of Issue 36 regarding an "affected jurisdiction" is no longer valid as of that date because said Commentary is in direct conflict to the language of Ballot 13-1995. The Commentary regarding "affected jurisdiction" is for historical reference only. The definition of "affected jurisdiction" is found at A680.500.]

An affected jurisdiction is a jurisdiction that has tax revenue (either by an assessment or credit) affected by another jurisdiction's audit.

Audit information must be sent to all affected jurisdictions. If another jurisdiction wants a copy of the audit, they may request it.

- .400** Fuel tax adjustments resulting from audit findings will be documented and included on monthly transmittals. Base jurisdictions may choose one of two options for remitting tax to member jurisdictions as provided in the IFTA Procedures Manual Section P1060.
- .500** An affected jurisdiction is any jurisdiction in which the licensee reported or accrued miles/kilometers, fuel or experiences any changes in the reported vs. audited calculations during the audit period.
- .600** Copies of the audit report, work papers, supporting documentation, and any pertinent post-audit communications must be maintained as part of the audit file.

A680.400 *In July 1992, the membership unanimously ratified inclusion of Consensus Board Interpretation, Issue 33-92, as narrative to IFTA Audit Manual Section A680.400.*

ISSUE: *At the 1992 IFTA Audit Workshop, there was discussion regarding a minimum amount that jurisdictions should bill a carrier for an audit assessment. IFTA jurisdictions could not come to an agreement as to an acceptable minimum amount to be used by all jurisdictions.*

The Audit Committee recommended the Board of Trustees state it is acceptable for a jurisdiction to set a minimum amount for an audit assessment that they will not bill a carrier for, but that jurisdictions must still transmit the audit fees to other affected jurisdictions.

BOARD INTERPRETATION:

The Board unanimously concurred with the recommendation of the Audit Committee.

A680.400 *IFTA Ballot 6-1997 amended IFTA Audit Manual Section A680.400 to provide that audit findings will be included on monthly transmittals and that jurisdictions may choose between two options for remitting tax to member jurisdictions and was effective July 1, 1999.*

A680.500 *IFTA Ballot 13-1995 added IFTA Audit Manual Section A680.500 to provide a definition of "affected jurisdiction" for purposes of distribution of audit findings to the member jurisdictions and was effective July 1, 1997.*

A700**COMPLIANCE****A710 FOLLOW-UP VISITS**

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

A720 REMINDER LETTERS

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

A730 PRESUMPTION OF FINDINGS

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

IFTA AUDIT MANUAL

APPENDIX A

EXAMPLE A

Name of Base Jurisdiction (in bold or large font)
International Fuel Tax Agreement (IFTA)
Audit Report

Carrier Name: XYZ Trucking
Address: 123 N. Oakhill Avenue
Huntington, NY 11743

Audit Date: 7/13/1994

Carrier Rep.: Mr. XYZ

Account Number: BJ-391312909
(BJ = Base Jurisdiction abbreviation)

Telephone: (516) 555-1234

Audit Period: 1/1/90 to 12/31/93

Audit Findings

Approximately one paragraph in narrative form briefly stating methodology used, and what was found during the course of the audit.

MPG Examination: A description of the change, if any, in the licensee's miles per gallon (MPG) and why.

Summary: Approximately one paragraph stating the adjustments made, results and any pertinent information the auditor feels is needed to relay to the other jurisdictions

Auditor/Supervisor Signature and Date

EXAMPLE B

Interstate Fuel Tax Agreement (IFTA) Audit Billing

Carrier Name: XYZ Trucking
120 N. Oakhill Avenue
Huntington, NY 11746

BILL DATE: 01/19/95

Audit Date: 07/13/94

Carrier Rep. Mr. XYZ

PAYMENT DUE DATE: 02/19/95

Telephone: (516) 555-1234

Fuel Account Number: BJ-391312909

AUDIT PERIOD: 1st QTR 1990 through 4th QTR 1993

Jurisdiction	Tax Reported	Tax Audited	Difference	Penalty	Interest	Total
WI	\$2,225.05	\$3,456.12	\$1,231.07	\$500.00	\$19.69	\$1,750.76
AB	\$1,202.75	\$1,312.75	\$110.00	\$ 0.00	\$8.91	\$118.91
AR	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
AZ	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
AZ SURCH	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
CA	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
CO	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
FL	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
IA	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
ID	\$102.95	\$345.19	\$242.24	\$0.00	\$0.69	\$242.93
IL	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
IN	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
IN SURCH	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
KS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
LA	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
MN	\$712.12	\$1,134.75	\$422.60	\$0.00	\$4.88	\$427.48
MO	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
MS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
MT	\$1,818.18	\$2121.21	\$303.03	\$0.00	\$12.12	\$315.15
NC	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
ND	\$1,111.77	\$1,222.88	\$111.11	\$0.00	\$8.50	\$119.61
NE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
NM	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
NV	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
OH	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
OK	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
OR	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
SD	\$1,666.66	\$1,765.44	\$98.78	\$0.00	\$11.69	\$110.47
SK	\$841.21	\$941.35	\$100.14	\$0.00	\$5.99	\$106.13
TN	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
UT	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
WA	\$505.69	\$696.96	\$191.27	\$0.00	\$3.25	\$194.52
WY	\$1,950.00	\$1,955.04	\$5.04	\$0.00	\$14.92	\$19.96
TOTALS	\$12,136.38	\$14,951.66	\$2,815.28	\$500.00	\$90.64	\$3,405.92

GRAND TOTAL \$3,405.92