



# IFTA/IRP AUDITING 101

Presented by:

Kelly Heaton - AR

Renée Kyser - AL

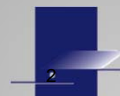
What does IFTA stand for:

International Fuel Tax Association

Internal Fuel Tax Account

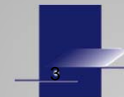
International Fuel Tax Account

International Fuel Tax Agreement



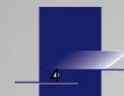
IRP stands for:

- Internal Registry Program
- International Reciprocity Plan
- International Reciprocity Program
- International Registration Plan



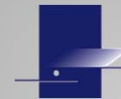
How many jurisdictions are members of both IFTA & IRP:

- 60
- 59
- 58
- None of the above



## What is...?

- IFTA – International Fuel Tax Agreement
  - Licensee
  - Fuel tax
  - Distance/Fuel/MPG/KPL
  - Quarterly tax returns
- IRP – International Registration Plan
  - Registrant
  - Annual reporting period
  - Distance = Percentages
  - Registration fees



## Similarities?



### Audit Standards, Procedures, Qualifications & Responsibilities

- Adequate planning & supervision
- Exercise proficiency & due professional care
- Maintain independence
- Use of an audit program (consistency)
- Analyze the system & records
- Promotes sampling

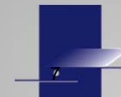
Carriers should be contacted regarding an IFTA and/or IRP audit at least:

15 days in advance

30 days in advance

60 days in advance

No advance notice required



## Similarities?



### Audit Communications

- Opening Conference (OC)
- Closing and/or Exit Conference

### Appeal periods

- at least 30 days for carrier (R1390 / Plan 1065);
- 45 days for member jurisdictions (R1360 / Plan 1040)

Distance records are required

Inadequate Records Assessment (IRA) – P570 / Plan 1015

## Differences?

### IRP

- Registration of vehicles with GVW < 26,001 is allowed
- Allows multiple fleets
- 1 yr, 1 fleet = 1 audit
- 1 quarter sample for each audited year
- 1 plate / 1 cab card

### IFTA

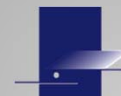
- 1 fleet per licensee (with exceptions)
- Multiple license years, fuel types or both = 1 audit
- No specific requirement to audit 1 quarter per license year (representative)
- Allows intrajurisdiction only
- Allows dual credentialing
- Audit count is stratified



## Why do we audit?

To

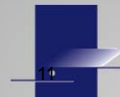
1. Ensure compliance with the IFTA, IRP and jurisdictional laws
2. Ensure the proper payment of registration fees and fuel taxes.



Does the IFTA and IRP require auditors to have specific education or experience requirements?

Yes

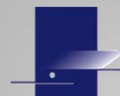
No



## Record Keeping Requirements – Distance (P540; Plan 1010)

Manual System –

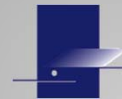
- Beginning / ending trip dates
- Trip origin / destination
- Route of travel
- Beginning / ending odometer reading (hub, engine control module [ECM], or similar device)
- Total trip distance
- Distance per jurisdiction
- Vehicle identifier



## Record Keeping Requirements - Distance

Electronic – Global Positioning System (GPS):

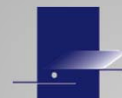
- Original GPS or other location data for the vehicle
- Date & time of each GPS or other system reading
- Location of each GPS or other system reading
- Beginning / ending reading (odometer, hub, engine control module [ECM], or similar device)
- Calculated distance between each GPS reading
- Route of travel
- Total distance and distance per jurisdiction
- Vehicle identifier



## Record Keeping Requirements – Fuel (P550)

Receipts, invoices, vendor transaction listings with:

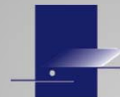
- Date
- Vendor's name/location (properly identified code)
- Quantity purchased
- Type of fuel
- Price per gallon OR total purchase price
- Vehicle
- Purchaser's name



## Record Keeping Requirements - Fuel

### Bulk Tanks:

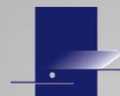
- Delivery receipts, including proof of tax paid
- Quarterly inventory reconciliations
- Tank capacity
- Withdrawal records
  - Location facility
  - Date
  - Quantity
  - Type
- Vehicle



## Pre-Audit Procedures

### Preparations

- IFTA/IRP requirements (A310/APM501)
- Review reported data and company's record process
- Equipment information
- Analytical review
  - Questionnaire

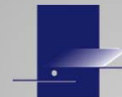




## Audit Notification

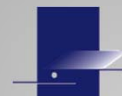


- IFTA Audit Manual A420
- IRP Audit Manual APM401



## OPENING CONFERENCE A440/APM 402

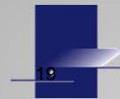
- Introductions
- Provide tentative outline & timeline
- Discuss
  - Purpose and process of the audit
  - Audit questionnaire
  - Company policies – who is the “go-to” person
  - Recordkeeping procedures – flow of paperwork
  - Carrier’s internal audit procedures (if any)



Only commercial activity (distance and fuel) must be documented for IFTA & IRP?

True

False



## OPENING CONFERENCE

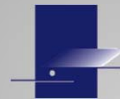
- Discuss the company's operations/policies
  - Who, What, How
- Tour the business either physically or virtually
- Document your observations
  - Flow of the paperwork from dispatch to reporting
  - Type of equipment
  - Owner/Operators



# OPENING CONFERENCE

## Distance recordkeeping

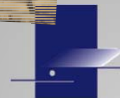
- Is GPS used?
- How is the activity documented?
- Is distance software used?
- Are odometer readings maintained?
- How are routes of travel established?
- Is the information driver or vehicle based?
- Are the routes recorded?
- Is the data summarized and if so, how?
- Are the summaries used when filing?



# OPENING CONFERENCE

## What about Fuel?

- Retail over the road (OTR)
  - Cash, credit card, both
  - By driver or vehicle
- Local OTR on account
- In bulk (secured or not)
  - Tank capacity
  - Withdrawal logs
  - Purchase invoices
  - Inventory reconciliations

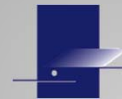


## OPENING CONFERENCE



What documents are retained?

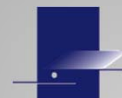
- Do they have the required information (P550)?
- Is the data summarized and if so, how (P560)?
- Are the summaries used when reporting?



## OPENING CONFERENCE

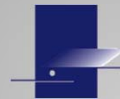
What about the fleet's MPG/KPL

- Are any fluctuations addressed?
- Are any unusually high or low?
- Is there fuel without distance?
- Significant distance but no fuel?



# Success!!!

An effective and efficient audit plan that includes clear communication will result in a better understanding for all parties!



Annually, each jurisdiction is required to audit

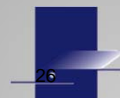
5% of their renewed accounts

5% of their total accounts

3% of their total accounts

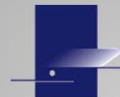
3% of their renewed accounts

None of the above



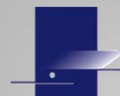
# Evaluation of Internal Controls

- What do IFTA and IRP require?
  - IFTA (A320)
  - IRP (APM 502)



# Internal Control Evaluation

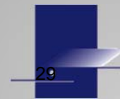
- Review & document
- Preliminary evaluation
- Tests of compliance
- Strengths & Weaknesses



All accounting procedures are internal controls.

True

False

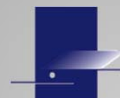


## Internal Control Evaluation

Large company  
vs  
small company



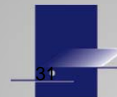
Should the internal control structure and  
distance accounting systems differ?



Internal Controls impact the sampling process.

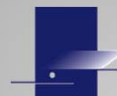
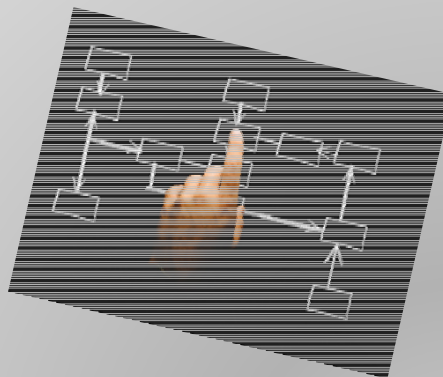
True

False



## Internal Controls

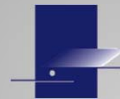
1. What are the benefits to performing a thorough internal control evaluation?
2. How does the evaluation of internal controls impact your audit scope?





## Basic Fieldwork

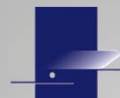
- Review the carrier's processes
- Verify all available records
- Data entry (distance/fuel/MPG/KPL)
- Run trips through your mileage software tools
- Comparisons
- Identify errors



## Basic Fieldwork

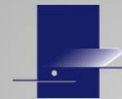
### Types of Errors:

- Isolated
  - Occasional math errors
  - MS instead of MI
- Projected
  - Routing issues
  - Significant clerical errors



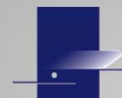
## Communication during fieldwork

- Communication throughout the process is important
- Keeping the carrier informed eliminates blindsides for both parties



## Closing/Exit Conference

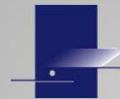
- What is required?
  - IFTA A450
  - IRP APM 404
- Provide information
- Avoid misunderstandings
- Can have both a closing and exit conference



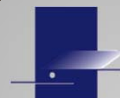
## Closing/Exit Conference

What can you do to ensure your conference is effective and successful?

- Prepare
- Plan
- Communicate

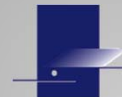


## Questions



## Links to Resources Available to Auditors

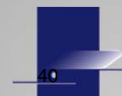
- [www.iftach.org](http://www.iftach.org)
- [www.irponline.org](http://www.irponline.org)
  - Best Practices Guides
  - Materials from past IFTA-IRP Audit Workshops



I will be at the Workshop next week...

Yes

No



# IFTA / IRP Auditing 101

- [Kelly.heaton@ardot.gov](mailto:Kelly.heaton@ardot.gov)  
(501) 569-4994
- [Renee.Kyser@revenue.alabama.gov](mailto:Renee.Kyser@revenue.alabama.gov)  
(334) 493-0053

