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PROPOSED AMENDMENT TO THE  
INTERNATIONAL REGISTRATION PLAN

**Proposed Ballot Number:** 2011.371 – Audit Rewrite

**Date Submitted to Repository:** 06/21/2011

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**Sponsor(s):** International Registration Plan, Inc. Board of Directors

**Contact Person (Name/Title/Agency/Jurisdiction/Telephone/Email):**

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Sponsor's(s') IRP voting member notified

**SECTIONS TO BE AMENDED**

**International Registration Plan**

Article II, Definitions

APM (deleted)

Audit

Established Place of Business

In-Jurisdiction Distance (delete)

IVDR (delete)

Operational Records

Records Review (new)

Total Distance

Article III, Applications for Apportioned Registration

Section 305, Selection of Base Jurisdiction

Section 315, Application Process

Article IX, Rental Vehicle Registration

Section 905, Rental Passenger Cars

Section 910, Rental Utility Trailers

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Section 915, One Way Vehicle

Article X, Records and Audit

Section 1000, Retention and Availability of Records  
Section 1005, Adequacy of Records (new)  
Section 1010, Contents of Records (new)  
Section 1015, Inadequate Records Assessment  
Section 1020, Scope of Audits  
Section 1025, Frequency of Audits  
Section 1030, Joint Audits  
Section 1035, Base Jurisdiction Audit Expenses  
Section 1040, Reexamination  
Section 1045, Findings of a Reexamination  
Section 1050, Netting Audit Adjustments  
Section 1055, Audit Reports  
Section 1060, Audit Transmittals  
Section 1065, Audit Appeals  
Section 1070, Finality of Audit Findings  
Section 1075, Audit Procedures Manual

Article XIII, Plan Administration

Section 1355, Peer Review

**Audit Procedures Manual**

Article 1, Introduction

Section 101, Purpose and Contents of the Manual

Article 2, General Auditing Standards

Section 201, Proficiency and Due Professional Care  
Section 202, Professional Care (delete)  
Section 202, Study and Evaluation  
Section 203, Planning and Supervision  
Section 204, Auditor Independence  
Section 205, Audit Program  
Section 206, Working Paper Documentation

Article 3, Auditor Qualifications and Responsibilities

Section 301, Auditor Qualifications  
Section 302, Auditor Responsibilities  
Section 302, Scope of Duties (delete)

Article 4, Registrant Responsibilities (delete)

Section 401, Adequacy of Records (delete)

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Section 402, Monthly Quarterly and Yearly Summaries (delete)  
Section 403, Receiving Contract (delete)  
Section 404, Supporting Information of IVDRs (delete)  
Section 405, Accountable Distance Traveled (delete)  
Section 406, Lessor Responsibility (delete)  
Section 407, Vehicle Allocation (delete)  
Section 408, Certified Average Registration Program (CARP) (delete)

## Article 5, On Board Recording Devices (delete)

Section 501, On Board Recording Devices (delete)  
Section 502, Use of On Board Recording Device Only (delete)  
Section 503, Use of On-Board Recording Device in Conjunction with an Electronic Computer System (delete)  
Section 504, Minimum Device Requirements (delete)  
Section 505, Data Collection (delete)  
Section 506, Capability of System to Produce Reports (delete)  
Section 507, Registrant Responsibility (delete)

## Article 4, Audit Communications (renumbered Article 6)

Section 401, Pre-audit Notification  
Section 402, Opening Conference  
Section 403, Request for Records  
Section 404, Exit Conference (new)

## Article 5, Audit Procedures (renumbered Article 7)

Section 501, Preliminary Audit Procedures  
Section 502, Evaluation of Internal Controls  
Section 503, Sampling and Extrapolation Procedures  
Section 504, Estimated Distance Audit Procedures  
Section 505, Actual Distance Audit Procedures

## Article 6, Audit Reporting (renumbered Article 8)

Section 801, Exit Conference (delete)  
Section 601, Audit Report  
Section 802, Interjurisdictional Audit Report (delete)

## Article 7, Records Review (new)

Section 701, Definition and Purpose  
Section 702, Records Reviews

## Article 9, Summary (delete)

Section 901, Summary (delete)

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## Appendix A, Glossary (new)

Analytical procedures  
Appropriateness (of audit evidence)  
Audit file  
Audit procedures  
Audit program  
Audit sampling (sampling)  
Due Professional Care  
Error  
Independence  
Internal control  
Must  
Proficiency  
Should  
Sufficiency (of audit evidence)  
Tests of controls  
Walk-through test  
Weakness in internal control  
Working papers

## Appendix B, Example of Audit Report (new)

### SUMMARY

In January 2008, the IRP Board of Directors commissioned Jefferson-Wells to conduct a study of the IRP audit process, specifically the three percent audit requirement, with the objective of providing recommendations to enhance the efficiency and effectiveness of existing audit practices.

Jefferson-Wells found a population of auditors committed to improvement; however, the Audit Procedures Manual provides little direction and the scope may be incorrect. Jefferson-Wells also reported that each of the 59 jurisdictions maintained separate audit procedure standards, and that the three percent audit requirement is arbitrary, and likely excessive.

Finally, Jefferson-Wells reported that handling of audit testing and treatment of exceptions is inconsistent and that registrant non-compliance is high.

Jefferson-Wells recommended the following:

1. Centralize the recordkeeping/analysis of audit results
2. Centralize the selection of audits
3. Expand the scope of audit.

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4. Develop specific audit standards, work paper templates and reporting
5. Reduce the number of audits
6. Restructure the peer review function in order to promote audit uniformity
7. Provide a formal training process for registrants

The IRP Board agreed with several of the Jefferson-Wells recommendations and decided to create the Compliance Audit Working Group (CAWG) to further analyze Plan compliance and audit issues. In order to insure that all affected parties were included in this project, the board appointed both administrative and audit representatives from each IRP region, as well as industry representatives. The CAWG was directed by the IRP Board to consider the following issues:

- Three percent audit requirement
- Jefferson-Wells recommendations
- APM and Plan audit requirements
- Failed audit ballots
- Training for jurisdictions and industry

In August 2009, the CAWG surveyed the membership regarding the Audit Procedures Manual and Article X of the Plan. The survey results, as well as the above referenced issues were used as a basis to review and make necessary changes to the APM and Article X of the Plan. The CAWG has worked and re-worked an audit rewrite document based on comments received from attendees at the 2009, 2010 and 2011 annual IRP meetings, the 2010 and 2011 audit workshops and many hours of CAWG discussions. Similar to the Plan rewrite, the audit rewrite attempts to improve compliance by providing clear audit procedures for auditors and clear record keeping requirements for registrants.

The attached document provides an explanation for each proposed change.

## **PROPOSED AMENDMENTS TO THE INTERNATIONAL REGISTRATION PLAN**

### **ARTICLE II DEFINITIONS**

#### **AUDIT**

“Audit” means the examination of a Registrant’s Records, including source documents, to verify the distances reported in the Registrant’s application for apportioned registration and evaluate the accuracy of the Registrant’s distance-accounting system for its Fleet. Such an examination may be of multiple Fleets for multiple years.

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## Official Commentary

The purpose of an Audit is to determine the Total Distance traveled by the Fleet and the percentage of distance traveled in each Member Jurisdiction.

### ESTABLISHED PLACE OF BUSINESS

“Established Place of Business” means a physical structure located within the Base Jurisdiction that is owned or leased by the Applicant or Registrant and whose street address shall be specified by the Applicant or Registrant. This physical structure shall be open for business and shall be staffed during regular business hours by one or more persons employed by the Applicant or Registrant on a permanent basis (i.e., not an independent contractor) for the purpose of the general management of the Applicant’s or Registrant’s trucking-related business (i.e., not limited to credentialing, distance and fuel reporting, and answering telephone inquiries). The Applicant or Registrant need not have land line telephone service at the physical structure. Records concerning the Fleet shall be maintained at this physical structure (unless such Records are to be made available in accordance with the provisions of Section 1035). The Base Jurisdiction may accept information it deems pertinent to verify that an Applicant or Registrant has an Established Place of Business within the Base Jurisdiction.

### RECORD

“Record” means information created, received, and maintained as evidence by an organization or person in the transaction of business, or in the pursuance of legal obligations, regardless of media.

### RECORDS REVIEW

“Records Review” means an evaluation of a Registrant’s distance accounting system and internal controls to assess the Registrant’s compliance with the requirements of the Plan. Unlike an Audit, a Records Review focuses only on the adequacy of the internal controls and the record-keeping system; it may be limited in scope to less than a full Registration Year; it may be conducted before the Registrant’s first registration renewal; and it does not result in any fee adjustments.

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## Official Commentary

It is not the intent to limit the use of Records Reviews only to new accounts.

### TOTAL DISTANCE

“Total Distance” means all distance, including that accrued on Trip Permits, operated by a Fleet of Apportioned Vehicles. Total Distance includes the full distance traveled in all Vehicle movements, both interjurisdictional and intrajurisdictional, and including loaded, empty, deadhead, and bobtail distance. Distance traveled by a Vehicle while under a trip Lease shall be considered to have been traveled by the Lessor’s Fleet.

## ARTICLE III APPLICATIONS FOR APPORTIONED REGISTRATION

### 305 SELECTION OF BASE JURISDICTION

(a) An Applicant may elect as its Base Jurisdiction any Member Jurisdiction (i) where the Applicant has an Established Place of Business, (ii) where the Fleet the Applicant seeks to register under the Plan accrues distance, and (iii) where Records of the Fleet are maintained or can be made available.

(b) An Applicant that does not have an Established Place of Business in any Jurisdiction may designate as a Base Jurisdiction any Member Jurisdiction (i) where the Applicant can demonstrate Residence, (ii) where the Fleet the Applicant seeks to register under the Plan accrues distance, and (iii) where Records of the Fleet are maintained or can be made available.

(c) To establish Residence in a Member Jurisdiction, an Applicant must demonstrate to the satisfaction of the Member Jurisdiction at least three of the following:

- (i) if the Applicant is an individual, that his or her driver’s license is issued by that Jurisdiction,
- (ii) if the Applicant is a corporation, that it is incorporated or registered to conduct business as a foreign corporation in that Jurisdiction,
- (iii) if the Applicant is a corporation, that the principal owner is a resident of that Jurisdiction,
- (iv) that the Applicant’s federal income tax returns have been filed from an address in that Jurisdiction,

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- (v) that the Applicant has paid personal income taxes to that Jurisdiction,
- (vi) that the Applicant has paid real estate or personal property taxes to that Jurisdiction,
- (vii) that the Applicant receives utility bills in that Jurisdiction in its name,
- (viii) that the Applicant has a Vehicle titled in that Jurisdiction in its name,
- or
- (ix) that other factors clearly evidence the Applicant's legal Residence in that Jurisdiction.

### Official Commentary

If more than one Member Jurisdiction could qualify as a Base Jurisdiction for an Applicant, the Applicant may choose which of them it will apply to for apportioned registration under the Plan. This serves to preserve the necessary but limited flexibility in the choice of a Base Jurisdiction.

It is not the intent of this Section to permit a Registrant to manipulate the selection of a Base Jurisdiction in order to avoid the payment of Apportionable Fees on the basis of 100 percent of the distance traveled by its Fleet.

This Section provides a three-part test under subsection (a) for the determination of Base Jurisdiction. All three parts must be met in order for a Member Jurisdiction to qualify as a Base Jurisdiction.

The Plan offers Residence as an alternative criterion to Established Place of Business only for those Applicants who cannot demonstrate that they meet the Established Place of Business requirement.

With respect to the accrual by a Fleet of distance in the Base Jurisdiction, the requirement is to be applied only to the Fleet as a whole; each individual Vehicle of a Fleet need not enter the Base Jurisdiction.

### 315 APPLICATION PROCESS

(a) The Base Jurisdiction shall determine the manner, the standard for measuring distance (i.e., miles or kilometers), application process, and filing deadlines for applications for registration under the Plan.

(b) An application for registration under the Plan shall contain information elements required by the Plan and such other information that is required by the Base Jurisdiction.



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(c) Except where the Plan permits an Applicant to use estimates of distance, an application for registration under the Plan shall contain the actual distance that the Fleet being registered was operated during the Reporting Period.

(d) If the Fleet did not accrue any actual distance during the Reporting Period, an Applicant may estimate the distance the Fleet is anticipated to travel in each Member Jurisdiction during the Registration Year. The Applicant shall be required to support such estimates to the satisfaction of the Base Jurisdiction.

(e) The Base Jurisdiction shall review any estimate of distance and any supporting documentation. If the Base Jurisdiction does not accept the Applicant's estimate of distance, or if the Applicant does not submit an estimate, the Base Jurisdiction shall estimate the distance for the Applicant's Fleet using the method provided in Section 320.

(f) The expiration date of apportioned registration for all Apportioned Vehicles in a Fleet shall be the same date.

Official Commentary

Base Jurisdictions may require supporting documentation, such as past Records or a written business plan as a basis for Estimated Distance in an application for registration under the Plan.

Although the expiration date of registration for all Vehicles in a particular Fleet must be the same, nothing in the Plan shall be deemed to prohibit a Member Jurisdiction from permitting a Registrant to have multiple Fleets for which apportioned registration expires on different dates.

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ARTICLE IX  
RENTAL VEHICLE REGISTRATION

905 RENTAL PASSENGER CARS

Rental passenger car registrations may be allocated based on revenue earned in each Jurisdiction. Properly allocated rental passenger cars may be rented in any Member Jurisdiction. To determine the percentage of total Rental Fleet Vehicles to be registered in a Jurisdiction:

- (i) Divide the gross revenue earned in a Jurisdiction in the preceding year for the use of all rental passenger cars by the gross rental revenue earned in all Jurisdictions and
- (ii) Multiply the number of Vehicles in the Rental Fleet by the percentage determined in clause (i).

For purposes of this Section, gross rental revenue is earned in a Jurisdiction when the Vehicle rented first comes into the possession of the Lessee in that Jurisdiction.

Official Commentary

It is the intent of this Section that implementation of rental passenger car Allocation be optional on the part of a Member Jurisdiction.

The Audit of a Lessor which fulfills its registration obligations through Allocation under this Section will normally focus on the accuracy of the gross rental revenues reported by the Lessor in its application.

910 RENTAL UTILITY TRAILERS

The owner of rental utility Trailers of gross Vehicle weight 6,000 pounds (2,751.554 kilograms) or less shall register in each Member Jurisdiction a number of Trailers equal to the average number of Trailers rented in or through the Member Jurisdiction during the preceding year. For this purpose, a Trailer shall be considered to be rented in or through the Member Jurisdiction in which the Trailer first comes into possession of the Lessee.

Official Commentary

Audits of Registrants engaged in leasing utility Trailers under this Section are based on Records referred to as the “certified average registration program,” or CARP, an average

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inventory of trailers located in or passing through various Member Jurisdictions over a period of time.

915 ONE-WAY VEHICLE

The owner of Trucks registered for 26,000 pounds (11,793.401 kilograms) or less that are identified as a part of a one-way Rental Fleet may (i) allocate all of such Vehicles to the respective Member Jurisdictions in proportion to the mileage operated in each Member Jurisdiction by the Rental Fleet, or (ii) register all of such Vehicles as Apportioned Vehicles under the Plan. A one-way Rental Vehicle registered in accordance with this Section may be used in both interjurisdictional and intrajurisdictional operation.

Official Commentary

Audits of Lessors engaged in renting one-way Vehicles under this Section will normally focus on “receiving contracts,” the paperwork completed by Lessor and Lessee when a Vehicle is turned in by the Lessee, or “received.”

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ARTICLE X  
RECORDS AND AUDITS

1000 RETENTION AND AVAILABILITY OF RECORDS

(a) A Registrant shall retain the Records on which the Registrant's application for apportioned registration is based for a period of three years following the close of the Registration year to which the application pertains, and, on request, shall make such Records available for Audit.

(b) Unless a waiver to the statute of limitations is granted by the Registrant, no assessment for deficiency or any refund shall be made for any period for which the Registrant is not required to retain Records.

Official Commentary

Registrants should recognize that this Section requires the retention of Records covering activities during the Reporting Period pertaining to the application for apportioned registration.

1005 ADEQUACY OF RECORDS

(a) The Records maintained by a Registrant under Section 1000 shall be adequate to enable the Base Jurisdiction to verify the distances reported in the Registrant's application for apportioned registration and to evaluate the accuracy of the Registrant's distance accounting system for its Fleet.

(b) Provided a Registrant's Records meet the criterion in subsection (a), the Records may be produced through any means, and retained in any format or medium available to the Registrant and accessible by the Base Jurisdiction.

Official Commentary

Subsection (a) defines the purpose for which Registrants are required to keep Records: to allow the Base Jurisdiction to (1) verify the distances a Registrant has reported on its application, and (2) evaluate the Registrant's distance accounting system. If the Records

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made available by a Registrant for Audit are (a) sufficient and (b) appropriate for these purposes, they are deemed to be adequate.

Subsection (b) is intended to make clear that if the Registrant's Records are adequate under subsection (a), it does not matter how the Registrant has produced the Records or maintained them. However, the Records must meet the two conditions of sufficiency and appropriateness; there must be enough Records to substantially cover the operations of the Registrant's Fleet, and the Records must contain the kind of information an auditor needs in order to audit the Records for purposes of the Plan. In addition, 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.

## 1010 CONTENTS OF RECORDS

Records containing the following elements shall be accepted by the Base Jurisdiction as adequate under Section 1005(a):

(a) For Records produced by a means other than a vehicle-tracking system:

- (i) the beginning and ending dates of the trip to which the Records pertain
- (ii) the origin and destination of the trip
- (iii) the route of travel
- (iv) the beginning and ending reading from the odometer, hubodometer, engine control module (ECM), or any similar device for the trip
- (v) the total distance of the trip
- (vi) the distance traveled in each Jurisdiction
- (vii) the Vehicle identification number or Vehicle unit number

(b) For Records produced wholly or partly by a vehicle-tracking system, including a system based on a global positioning system (GPS):

- (i) the original GPS or other location data for the Vehicle to which the Records pertain
- (ii) the date and time of each GPS or other system reading
- (iii) the location of each GPS or other system reading
- (iv) the beginning and ending reading from the odometer, hubodometer, engine control module (ECM), or any similar device for the period to which the Records pertain
- (v) the calculated distance between each GPS or other system reading
- (vi) the route of the Vehicle's travel

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- (vii) the total distance traveled by the Vehicle
- (viii) the distance traveled in each jurisdiction
- (ix) the Vehicle identification number or Vehicle unit number

(c) Summaries:

- (i) a summary of the Fleet's operations for each month, which includes both the full distance traveled by each Apportioned Vehicle in the Fleet during the calendar month, and the distance traveled in the month by each Apportioned Vehicle in each Jurisdiction
- (ii) a summary of the Fleet's operations for each calendar quarter, which includes both the full distance traveled by Vehicles in the Fleet during the calendar quarter, and the distance traveled in each Jurisdiction by the Vehicles in the Fleet during the calendar quarter
- (iii) a summary of the quarterly summaries

## Official Commentary

This Section is intended to provide guidance on the contents of Records made available for audit. The basic criterion for the adequacy of Records is that they allow the auditor to conduct an audit. If Records made available to the Base Jurisdiction contain all of the elements set out in (a) or in (b), plus those set out in (c), the Base Jurisdiction will consider the Records to be adequate for an Audit. The Audit may, of course, show the Records to be inaccurate or to have been used inappropriately in producing the Registrant's application for apportioned registration. Records which do not contain all of the elements set out in this Section may still, depending on the nature of the Records and of the Registrant's operations, be fully adequate for an Audit.

Paragraph (b)(i) refers to the raw data produced by a GPS or other vehicle-tracking system pertinent to a Vehicle's location. Paragraph (b)(iii) refers to the location of a Vehicle as determined through the use of such raw data.

The summaries required by this Section may be necessary for the efficient Audit of a Registrant's Records. A Registrant must make summaries available for audit upon due notice and demand by the Base Jurisdiction.

1015 INADEQUATE RECORDS; ASSESSMENT

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If the Records produced by the Registrant for Audit do not, for the Registrant's Fleet as a whole, meet the criterion in Section 1005(a), or if, within 30 calendar days of the issuance of a written request by the Base Jurisdiction, the Registrant produces no Records, the Base Jurisdiction shall impose on the Registrant an assessment in the amount of twenty percent of the Apportionable Fees paid by the Registrant for the registration of its Fleet in the Registration Year to which the Records pertain including Apportionable Fees based on Estimated Distance. In an instance where the Base Jurisdiction knows that it is the Registrant's second such offense, the Base Jurisdiction shall impose an assessment of fifty percent of the Apportionable Fees paid by the Registrant for the registration of its Fleet in the Registration Year to which the Records pertain. When the Base Jurisdiction knows it is the Registrant's third offense, and on any subsequent offenses of the Registrant known to the Base Jurisdiction, the Base Jurisdiction shall impose an assessment of 100 percent of the Apportionable Fees paid by the Registrant for the registration of its Fleet in the Registration Year to which the Records pertain.

The Base Jurisdiction shall distribute the amounts of assessment it collects under this Section on a *pro rata* basis to the other Jurisdictions in which the Fleet was registered.

### Official Commentary

If the Registrant fails or refuses to make Records available for audit, or if the Records made available are, as a whole, so inadequate that they cannot be audited, the Base Jurisdiction shall impose the assessment described. The assessment is not to be imposed where the Records made available, even though they may be of poor or inconsistent quality, can be audited for purposes of the Plan. Neither is an assessment to be imposed under this Section where, although Records pertaining to some individual Vehicles in a Fleet are lacking or inadequate, the Audit of the Fleet as a whole can proceed. The Base Jurisdiction is only to impose the added assessment for repeated offenses when, *on a subsequent Audit*, it finds the Registrant's Records still to be inadequate.

This is the only provision in the Plan in the nature of a penalty for inadequate Records or with respect to Audits generally. This does not, however, affect the ability of a Base Jurisdiction to exclude a Vehicle from apportioned registration if the Vehicle is found not to be an Apportionable Vehicle.

### 1020 SCOPE OF AUDITS

(a) The Base Jurisdiction shall Audit the Registrants to which it has issued apportioned registration. The purpose of such an Audit shall be to assess the accuracy of the distances

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reported in a Registrant's application for apportioned registration and, where inaccuracies are found, to adjust the Registrant's fees accordingly.

(b) An Audit of a Registrant performed by the Base Jurisdiction shall be conducted on behalf of all the Member Jurisdictions, and the Base Jurisdiction may make assessments and collections of fees based on its Audit.

### 1025 FREQUENCY OF AUDITS

(a) Each Member Jurisdiction shall conduct a number of Audits equivalent to an average of three percent per year of the number of Fleets whose registration it renews annually under the Plan, as required to be reported by the Member Jurisdiction in the annual report filed pursuant to the Plan. Upon the peer review of a Member Jurisdiction, this requirement shall be deemed to have been met if, during the interval since the previous peer review of the Member Jurisdiction, it has audited an average of three percent of the number of renewed Fleets.

(b) A new Member Jurisdiction shall not be required to conduct Audits until the January following its first full twelve months of full participation in the Plan.

(c) For purposes of the requirement in subsection (a), the examination of one Fleet for one Registration Year shall be deemed to be one Audit.

(d) For purposes of the requirement in subsection (a), a Member Jurisdiction may substitute three Records Reviews for one Audit; provided, that no Member Jurisdiction may substitute Records Reviews for more than twenty-five percent of the total of the Audits required by subsection (a). In order to use Records Reviews as a substitute for Audits, a Member Jurisdiction must adopt formal procedures that comply with the guidelines for Records Reviews set out in the Audit Procedures Manual.

(e) Nothing in this Section shall preclude a Member Jurisdiction from conducting more Audits than it is required to under this Section, or from Auditing a Registrant more than once during the interval between peer reviews.

### 1030 JOINT AUDITS

(a) An Audit of a Registrant may be conducted jointly by the Base Jurisdiction and one or more other Member Jurisdictions. Each Member Jurisdiction that participates in a joint Audit shall receive full credit under Section 1025 for the performance of an Audit.



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(b) In a joint Audit, the Base Jurisdiction of the Registrant under Audit shall retain its authority to direct the conduct of the Audit and shall provide such coordination to the Jurisdictions involved as shall permit the Audit to proceed in an orderly manner and not to burden the Registrant unreasonably.

(c) In a joint Audit, the Base Jurisdiction of the Registrant under Audit shall be responsible for the determination of the findings of the Audit, and for notifying the Registrant and other Member Jurisdictions of those findings in accordance with Section 1055.

### Official Commentary

The coordination of a joint Audit provided by the Base Jurisdiction should extend to the scheduling of the Audit, setting procedural guidelines for its conduct within the requirements of the Plan, and providing means to resolve differences among the Jurisdictions participating in the Audit.

### 1035 BASE JURISDICTION AUDIT EXPENSES

If a Registrant does not make its Records available for Audit in its Base Jurisdiction and the Base Jurisdiction sends auditors beyond its borders to Audit those Records, the Base Jurisdiction may require the Registrant to reimburse the Base Jurisdiction for the *per diem* and travel expenses that the auditors incur in conducting the Audit.

### Official Commentary

It is not the intent of this Section to allow other Jurisdictions, other than the Base Jurisdiction, that may participate in a joint Audit to require the Registrant to reimburse their expenses.

### 1040 REEXAMINATIONS

(a) A Member Jurisdiction shall have 45 calendar days from the date it is notified of Audit findings under Section 1055 to provide written notification to the Base Jurisdiction and the Registrant of the Member's intent to conduct a reexamination of the Records of the Registrant.

(b) The Base Jurisdiction shall notify other affected Member Jurisdictions of the reexamination.

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(c) A reexamination conducted under this Section shall be based exclusively on the sample period used conducting the Audit.

(d) Reexaminations shall be performed within a reasonable time and in cooperation with the Base Jurisdiction.

(e) The expenses associated with conducting a reexamination shall be borne by the Member Jurisdiction conducting the reexamination.

### 1045 FINDINGS OF A REEXAMINATION

Any adjustment to the original Audit findings resulting from reexamination shall be reconciled with the initial Audit findings issued by the Base Jurisdiction. Revised Audit findings shall be issued by the Base Jurisdiction pursuant to Section 1055.

### 1050 NETTING AUDIT ADJUSTMENTS

(a) If, pursuant to an Audit of a Registrant by the Base Jurisdiction, adjustments are made to the Registrant's Apportioned Fees, those adjustments shall be netted; that is, the Base Jurisdiction is to offset the additional fees which may be owed by the Registrant to a Member Jurisdiction by any overpayments the Registrant may have made to Member Jurisdictions. Only the net amount shall be collected from the Registrant or refunded to the Registrant, as the case may be.

(b) The collection of an underpayment from the Registrant shall be governed by the laws and procedures of the Base Jurisdiction.

(c) Upon collection of any underpayment from a Registrant, the Base Jurisdiction shall transmit the appropriate fee changes to each affected Member Jurisdiction within 30 calendar days following the transmittal period during which the collection was made.

(d) If the Base Jurisdiction determines a net underpayment to be uncollectible, any credits due the Registrant, plus any partial payments made by the Registrant, shall be used to offset additional fees due to Member Jurisdictions on a pro-rata basis.

(e) If an Audit finds a net overpayment by the Registrant, the Base Jurisdiction shall refund the amount of the overpayment to the Registrant.

(f) If the Audit findings indicate a net overpayment by the Registrant, the Base Jurisdiction shall transmit the fee changes as debits to the appropriate Member

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Jurisdiction within 30 calendar days following the transmittal period during which the overpayment was refunded to the Registrant.

### 1055 AUDIT REPORTS

(a) Upon the completion of an Audit the Base Jurisdiction shall provide an Audit report to the Registrant and to all Member Jurisdictions in which the Registrant was apportioned or in which it traveled.

(b) The Audit report shall include a narrative of the Audit, summary descriptions of the Registrant's record keeping and internal controls, and a billing summary of any Apportionable Fees owed by the Registrant, net of any Apportionable Fees due to the Registrant.

(c) The time periods specified in Sections 1040 and 1065 shall begin on the date on which the Base Jurisdiction sends the Audit report to the Registrant.

### Official Commentary

For purposes of this Section, an Audit will ordinarily be considered to be completed when it has been reviewed and approved by the supervisor of the personnel who conducted the Audit.

Barring extenuating circumstances, the Base Jurisdiction should send the Audit report to all affected Jurisdictions at the same time it sends the report to the Registrant.

### 1060 AUDIT TRANSMITTALS

(a) Apportionable Fees adjusted pursuant to Audit, and assessments imposed under Section 1015, shall be transmitted to Member Jurisdictions in the form of an appendix to required periodic transmittals among Member Jurisdictions in accordance with Section 1215.

(b) Audit transmittal information shall include, for each Audited Registrant:

- (i) the Registrant's name and account and Fleet numbers
- (ii) each Registration Year Audited
- (iii) the adjusted Apportionable Fees due to or from each Member Jurisdiction
- (iv) any amounts of assessment imposed under Section 1015 due to each Member Jurisdiction

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- (v) the total adjusted Apportionable Fees transmitted or due
- (vi) the total amount of assessments imposed under Section 1015 transmitted.

(c) Member Jurisdictions which participate in the clearinghouse operated by the Repository shall transmit Apportionable Fees adjusted pursuant to Audit, and assessments imposed under Section 1015, only through the clearinghouse.

## **1065 AUDIT APPEALS**

(a) The Base Jurisdiction shall provide a Registrant at least 30 calendar days from the date the Registrant is notified of the findings of an Audit or a reexamination 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.

(b) Upon the conclusion of the appeal process, the Base Jurisdiction shall notify all affected Member Jurisdictions of the results. If one or more findings of the Audit remain unresolved after these procedures have been exhausted, the Registrant may challenge disputed Audit findings that remain by filing a dispute in accordance with Section 1400.

## **1070 FINALITY OF AUDIT FINDINGS**

Following the expiration of the time within which an appeal or request for reexamination may be filed under Sections 1040 and 1065, and except in cases of fraud, the findings of an Audit or reexamination shall be final as to all Members Jurisdictions and as to the Registrant Audited.

## **1075 AUDIT PROCEDURES MANUAL**

The Repository shall maintain an Audit Procedures Manual, the provisions of which shall be as binding on Member Jurisdictions as if the provisions were included in the text of the Plan. Changes to the Audit Procedures Manual must be approved in the same way as amendments to the Plan.

## **ARTICLE XIII PLAN ADMINISTRATION**

## **1355 PEER REVIEW**

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(a) Each Member Jurisdiction's administrative procedures and Audit program will be reviewed regularly to determine its compliance with the Plan and the Audit Procedure Manual. The peer review period will begin with the earliest un-reviewed calendar year and end with the most recently completed calendar year. The Board shall determine the schedule for the periodic review of all Member Jurisdictions.

(b) There shall be a Peer Review Committee, members of which shall be selected as determined by the Board, and whose duties and manner of conducting peer review activities shall be approved by the Board. The Peer Review Committee may develop and maintain a Peer Review Compliance Guide, which shall be approved by the Board.

(c) Following the peer review of a Member Jurisdiction, the Peer Review Committee shall decide by majority vote whether the Member Jurisdiction is in compliance with the Plan and the Audit Procedure Manual. The Committee shall notify the Member Jurisdiction of the Committee's findings, and shall direct a Member Jurisdiction which it finds to be in material noncompliance with the Plan or Audit Procedure Manual to take such steps as may be necessary to correct the problems found within one year.

(d) A Member Jurisdiction that has been found to be in material noncompliance may, if the Committee deems it necessary, be reviewed again by the Committee within a year to determine whether the Member Jurisdiction has corrected the problems found. Such a follow-up review shall be conducted by the full Peer Review Committee, which shall examine such supporting documentation as the Member Jurisdiction shall submit, to determine if the Member Jurisdiction has come into compliance with the Plan and Audit Procedure Manual.

(e) A Member Jurisdiction found to be in material noncompliance with the Plan, may, under guidelines developed by the Peer Review Committee, be brought before the Board by the Committee in accordance with the procedures of Section 1400. In such an instance, the Board may exercise all the powers granted it under Section 1410 to enforce compliance with the provisions of the Plan.

### Official Commentary

The experience of the Plan with the peer review process indicates strongly that peer review is critical for the maintenance of the necessary level of uniformity among the members of the Plan in their administration of the Plan. Issues of member noncompliance with Plan requirements will often be disclosed by peer reviews, and the process of follow-up reviews and appeals has proved invaluable in ensuring that, in matters of importance, all members administer the Plan similarly and fulfill all of the obligations of Plan membership.

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## **PROPOSED AMENDMENTS TO THE AUDIT PROCEDURES MANUAL**

### **ARTICLE 1 INTRODUCTION**

#### **101. Purpose and Contents of the Manual**

(a) Audit is a critical element of ensuring compliance with the International Registration Plan (Plan). Article X of the Plan provides the basic framework under which Audits of Registrants by their Base Jurisdictions are to be conducted. Plan Section 1075 provides for the maintenance of this Audit Procedures Manual (Manual), the function of which is to set standards for auditors and Member Jurisdictions and to provide guidance and procedures specifically for the performance of IRP Audits.

(b) As a part of its function, the Manual assists the IRP Peer Review Committee in its assessment of the Audits of Member Jurisdictions. When the Manual uses the word “must” in connection with a procedure, this indicates an unconditional requirement for a Member Jurisdiction, and a subject for peer review. The use of the word “should” in the Manual also indicates a requirement for a Member Jurisdiction, although one where noncompliance may be accepted by the Committee if the Jurisdiction has documented the relevant circumstances and the reasons for not complying.

### **ARTICLE 2 GENERAL AUDITING STANDARDS**

#### **201. Proficiency and Due Professional Care**

The Audit is to be performed and the Audit report prepared by a person or persons having adequate technical training and proficiency in auditing, with due professional care and with an objective state of mind.

#### **202. Study and Evaluation**

(a) As part of the Audit process, the auditor must gain an understanding of and document the Registrant’s distance accounting system and evaluate the Registrant’s internal controls. Any weaknesses in internal controls must be documented in the Audit file and should be communicated to the Registrant before the finalization of the Audit.

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(b) A Walk-through test of the Registrant's distance accounting system should be performed to ensure internal controls are functioning as described. The auditor must evaluate the impact of internal control strengths and weaknesses on the audit, determine the reliability of the Registrant's records, and make appropriate adjustments to the Audit program.

(c) The auditor should obtain sufficient and appropriate Audit evidence in order to draw reasonable conclusions on which to base the audit opinion.

### **203. Planning and Supervision**

(a) An Audit must be adequately planned and supervised.

(b) The Audit function must include a supervisory review of the Audit file for accuracy and completeness. This review must be documented in the Audit file.

#### **Official Commentary**

Planning consists of developing an overall strategy and a detailed approach to the execution of the Audit. All persons performing the Audit need to understand the objectives of the work assigned to them and how this work relates to the overall objective of the audit. Adequate supervision ensures that the work of all persons is properly executed.

Planning and supervision continue as the Audit progresses. The nature, timing and extent of planning and supervision will vary with the complexity of the Audit and the experience of the persons assigned to the audit. Plans may need to be changed as the Audit progresses.

### **204. Auditor Independence**

The Audit engagement, the Audit organization and the individual auditor, whether government, public or contracted by a Member Jurisdiction, must be free from personal, external, and organizational impairments to independence, and must avoid the appearance of such impairments to independence.

#### **Official Commentary**

Auditors and Audit organizations must maintain independence so their opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial

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by objective third parties with knowledge of the relevant information. Auditors should avoid situations that could lead objective third parties with knowledge of the relevant information to conclude the auditors are not able to maintain independence and thus are not capable of exercising objective and impartial judgment on all issues associated with conducting the audit and reporting on the work. Impairments to independence include, but are not limited to, auditors processing registration applications.

### **205. Audit Program**

Each Member Jurisdiction should use an Audit program. An Audit program provides for consistent application of Audit procedures, serves as a training tool for new auditors, and facilitates the review of the Audit. An Audit program does not preclude the use of auditor judgment. Deviations from an Audit program are acceptable if they are reasonable given the Audit circumstances and must be documented in the Audit file and approved by the Audit supervisor.

### **206. Working Paper Documentation**

(a) Working papers must support the findings and recommendations in the Audit report. Working papers must be sufficiently detailed so a knowledgeable reader can understand them without extensive oral explanations from the auditor.

(b) Working papers may be in the form of paper or electronic media (imaged documents, spreadsheet files, databases, or word processing documents). Working papers must:

- (i) Provide the principal support for the Audit report;
- (ii) Aid in the performance of and review of Audits; and
- (iii) Document Audit procedures performed and conclusions reached.

## **ARTICLE 3** **AUDITOR QUALIFICATIONS AND RESPONSIBILITIES**

### **301. Auditor Qualification**

(a) Each Member Jurisdiction is responsible for the staffing of qualified auditors based on the Member Jurisdiction's personnel guidelines. The staff assigned to conduct Audits must possess adequate professional proficiency for the tasks required. In cases where the Audit is performed by a third party or contract auditors, the Member Jurisdiction must ensure the third party or contract auditors meet applicable professional standards.

(b) Each Member Jurisdiction must ensure its auditors maintain proficiency in IRP



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auditing by providing training opportunities through internal or external training sources.

## 302. Auditor Responsibilities

- (a) Auditors must give all Registrants and Member Jurisdictions fair consideration in order to promote consistency in the application of the Plan and the Manual.
- (b) Auditors should conduct themselves in a manner promoting cooperation and good relations with Registrants and Member Jurisdictions.
- (c) The auditor is encouraged to take advantage of educational opportunities that enhance and maintain auditing proficiency.

### Official Commentary

Auditors should conduct themselves at all times in a manner which will maintain the good reputation of the auditing profession. In doing so, auditors are expected to avoid any action that would discredit the profession. An auditor is expected to act in relation to other professional colleagues with the courtesy and consideration he or she would expect to be accorded by them.

The auditing profession is expected to maintain a high level of competence. This underscores the need for maintaining individual professional skill and competence by keeping abreast of and in compliance with developments in the professional standards and pertinent legislation in all functions where an auditor practices, or is relied upon.

## ARTICLE 4 AUDIT COMMUNICATIONS

### 401. Pre-Audit Notification

- (a) At least 30 days prior to conducting the Audit, the Registrant must be contacted and advised an Audit is to be conducted of Records substantiating distance reported on the apportioned registration applications. Through the initial or subsequent audit contacts, the Registrant must be advised of the Registration Year(s) to be audited, the Reporting Period, the type of Records to be audited, and the proposed Audit start date.
- (b) All Audit communication, both written and oral, must be documented in the Audit file.

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(c) The Base Jurisdiction may waive notification requirements with agreement from the Registrant. Any waiver of notification requirements or postponement must be documented in the Audit file.

## 402. Opening Conference

A documented opening conference should be held with the Registrant to discuss the Registrant's operations, distance accounting system, Audit procedures, Records to be examined, sample period, and sampling procedures, etc. If the conference is held, the Audit file must contain documentation of the meeting and must include date, participants and details of the meeting.

## 403. Request for Records

(a) The auditor must request Records that support the apportioned registration application as filed.

(b) The Audit file must include documentation of all requests for Records.

## 404. Exit Conference

(a) An exit conference should be held with the Registrant to review Audit issues and preliminary findings. If the conference is held, the Audit file must contain documentation of the meeting, which must include the following:

(i) An overview of the post Audit process, including to whom the Audit report should be addressed:

(ii) The Registrant's rights of appeal, and any recommendations for improvement of to the Registrant's distance accounting system.

(b) If an exit conference is not feasible, the Audit file must document the reasons.

(c) Issues identified during the course of the Audit and documented in the working papers, should be discussed with, and detailed information must be made available to the Registrant, upon request.

## ARTICLE 5 AUDIT PROCEDURES

### 501. Preliminary Audit Procedures

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(a) The purpose of performing preliminary Audit procedures is to familiarize the auditor with the Registrant's business and reporting history.

(b) If a previous Audit was conducted, any findings of non-compliance should be documented in the Audit file.

(c) The auditor must identify, and document in the Audit file, the population of Vehicles in the Registration Year and in the Reporting Period pertaining to the Fleet subject to Audit. The auditor must either:

(i) list the Vehicles to be audited, indicating at least:

- (1) equipment number;
- (2) unit weight;
- (3) Vehicle identification number; and
- (4) inclusive months each Vehicle was in the Fleet; or

(ii) using an alternative method, identify the Vehicles (and the time periods they were registered).

The auditor must use the Vehicle listings, or alternative method documented, to select Vehicles for Audit with respect to sampling.

(d) The auditor must apply analytical procedures to the Registrant's application subject to Audit. As a part of the analytical procedures, the auditor should summarize application information, note unusual trends or variances, and draw conclusions. The analytical procedures must be documented in the Audit file.

(e) Sample Vehicles should be representative of the Registrant's operations.

### 502. Evaluation of Internal Control

(a) The auditor's must review and test the Registrant's internal controls. The results must be documented in the Audit file.

(b) The Auditor must:

- (i) determine if there have been changes in the Registrant's distance accounting procedures or operations during the Audit period;
- (ii) identify the Records that the Registrant maintains to support the registration application;

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(iii) review the Registrant's Records to determine if the internal controls are functioning as described and;

(iv) determine if any review of the supporting documentation is performed by the Registrant prior to data entry.

The auditor must document the Registrant's distance accounting system. The auditor may use a questionnaire, flowchart or narrative.

The auditor should reconcile the period's distance summaries. Differences must be documented and included in the Audit file. An example of the Registrant's Records examined by the auditor should be included in the Audit file.

(c) The auditor should perform a Walk-through test of the distance accounting system.

(d) The Auditor must test the effectiveness of internal controls. Based on the result of these tests, the auditor should make an assessment of the degree of reliance that can be placed on the internal controls and whether to use a substantive or combined audit approach.

(e) Strengths and weaknesses identified in the Registrant's distance accounting system must be documented in the Audit file.

### Official Commentary

For the overall audit approach, an auditor may use either a combined approach or a substantive approach.

A combined approach is used when an auditor decides to rely on the internal controls of an entity to determine the nature, extent and timing of his or her Audit procedures. The combined approach will require the auditor to evaluate and document the internal controls of the Registrant. If a combined approach is used, the auditor will reduce the substantive tests (i.e. examine fewer trips, because the internal controls will be relied upon to detect any errors that may arise during the year).

If an auditor uses a substantive approach, he or she will not rely on the internal controls of the Registrant. Rather, the auditor will increase the amount of detailed testing on source documents and distance summaries.

A substantive approach is used when

- there are no internal controls in place
- after evaluation, the internal controls are deemed unreliable, or

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- the auditor has determined that it is too costly to study the internal controls of the Registrant.

### 503. Sampling and Extrapolation Procedures

(a) The auditor should discuss with the Registrant the proposed sample periods, sample Vehicles, and Records to be selected for Audit. At least three representative months of the Reporting Period should be selected for Audit. Generally, Audits are to be conducted on a sampling basis. The auditor may choose from a variety of sampling methods.

If tests of internal controls reveal major weaknesses in the Registrant's distance accounting system, sampling may not be possible or the size of the sample may have to be expanded.

(b) Depending on the nature of the errors, they may be treated as isolated errors (and included in findings without being extrapolated), or they may be recurring errors requiring extrapolation. Sampling and extrapolation procedures performed by the auditor should be documented in the Audit file.

(c) If an auditor is unable to determine a method of assigning a portion of the unreported distance traveled by a Registrant, such distance should be prorated based on the audited distance in each Member Jurisdiction.

(d) In instances where the summary information does not match information reported on the apportionment application, the Auditor should attempt to determine the reason for the discrepancy. The auditor must determine whether to extrapolate to the distance per summaries or application. It is generally preferable to extrapolate to summary distance (corrected as necessary) to determine the audited distances. The auditor must document in the Audit file and note in the Audit report the conclusions made as to whether the distance per summary or application has sufficient accuracy and reliability to be used in sampling projections.

### 504. Estimated Distance Audit Procedures

(a) When an apportioned registration application is filed for a new Fleet and is based solely on Estimated Distance, that distance may not be audited.

(b) If a Registrant reports Estimated Distance in a Member Jurisdiction, and it is discovered through Audit that actual distance was traveled in the Member Jurisdiction, the auditor should convert the Estimated Distance to actual distance and calculate fees, in accordance with Section 405 of the Plan.

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(c) In the absence of circumstances described in subsections (a) and (b), Estimated Distances on renewal applications should be accepted in the Audit.

## **505. Actual Distance Audit Procedures**

(a) If actual distance was reported in a Member Jurisdiction for which Apportionment was intended; however, no actual distance was traveled in the Member Jurisdiction during the Reporting Period, the actual distance must be converted to a distance estimate determined in accordance with Section 415 of the Plan.

(b) If actual distance was reported in a Member Jurisdiction for which Apportionment was not intended, the distance must be assigned to the Member Jurisdiction for which Apportionment was intended and fees must be adjusted in accordance with Section 405 of the Plan.

(c) If it is determined through Audit that a Vehicle does not qualify as an Apportionable Vehicle, the reported distance traveled by the Vehicle should be deducted from the Apportioned registration application and distance percentages adjusted in accordance with Article IV. Full (100%) fees should also be calculated for the Vehicle for the Member Jurisdiction in which the Vehicle traveled and should be included in the fee adjustments reflected in the transmittals.

(d) If distance is not reported in a Member Jurisdiction, and through Audit it is determined that actual distance is traveled in the Member Jurisdiction, the auditor must verify that the Vehicle operated in the Member Jurisdiction with proper credentials or Trip Permits during the Reporting Period. If the Vehicle was operated in a Member Jurisdiction without proper credentials or Trip Permits during the Reporting Period, Apportionable Fees must be calculated for the Member Jurisdiction in accordance with Section 415.

## **ARTICLE 6 AUDIT REPORTING**

### **601. Audit Report**

(a) An Audit report, including a narrative, and a billing summary documenting the Audit must be prepared by the Base Jurisdiction and provided to the Registrant and all affected Member Jurisdictions. Where appropriate a checklist may serve this purpose. A copy of

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the Audit report must be kept in the Audit file. The Audit Report must contain-the following information:

## Registrant Information:

- (i) Name of Base Jurisdiction
- (ii) Auditor Name
- (iii) Date Report Issued
- (iv) Registrant Name
- (v) Registrant Address
- (vi) Registrant Phone
- (vii) Registrant Representative
- (viii) Account Number
- (ix) Fleet Number
- (x) USDOT Number (where required),
- (xi) Registration Year(s) Audited
- (xii) Reporting Period Audited
- (xiii) Number of Vehicles Apportioned
- (xiv) Summary of Registrant's business operations
- (xv) Note unusual trends or variances

## Evaluation of Internal Controls:

- (i) Summarize the evaluation of the Registrant's internal controls including:
  - (1) Reliability of internal controls
  - (2) Strengths and weaknesses in internal controls
  - (3) Changes in the Registrant's accounting procedures during the audit period

## Opening Conference:

- (i) Provide the date and persons attending

## Sampling Methodology:

- (i) Describe sampling methodology or reason sampling was not performed
- (ii) Note the periods and Vehicles sampled

## Distance Examination:

- (i) Identify source documents used by the Registrant to determine distance
- (ii) Identify the information reflected in the distance source documents

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- (iii) Describe Audit procedures used to verify reported distance
- (iv) Describe methodology used to allocate any unreported distance
- (v) Note any discrepancies between monthly or quarterly summaries and Registrant's application
- (vi) Identify any Vehicles removed from fleet and assessed full plate fee
- (vii) Auditor's evaluation of adequacy of records

## Closing Conference and Recommendations:

- (i) Provide date and persons attending
- (ii) Document recommendations made to Registrant

## Summary:

- (i) A narrative of the Audit procedures, findings and any additional information deemed necessary

(b) The Audit Report must contain the following information in the billing summary portion of the report:

- (i) Reported distance traveled, percentage and fees by Jurisdiction
- (ii) Audited distance traveled, percentage and fees by Jurisdiction
- (iii) Change in apportionment percentages by Jurisdiction
- (iv) Net fees due by Jurisdiction
- (v) Net fees owed by or due to the Registrant

## ARTICLE 7 RECORDS REVIEW

### 701. Definition and Purpose

A Base Jurisdiction may perform a Records Review of any Registrant's distance accounting system to ensure compliance with the Plan.

A Records Review is a thorough evaluation of the Registrant's distance accounting system and internal controls to ensure compliance with the Plan. The purpose of performing a Records Review is to mitigate potential record keeping compliance issues.



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The primary differences between an Audit and a Records Review is that a Records Review:

- (i) focuses only on the adequacy of the internal controls and compliance of the distance accounting system;
- (ii) may be limited in scope to less than a full Reporting Period;
- (iii) may be conducted before the first renewal; and,
- (iv) does not result in any fee adjustments;

## **702. Records Reviews**

(a) A Member Jurisdiction electing to institute a Records Review program that qualifies towards the annual Audit requirement must establish procedures and guidelines similar to those for Audits. The Records Review procedures must:

- (i) comply with requirements in Article 2 General Auditing Standards and Article 3 Auditor Qualifications and Responsibilities of the Manual;
- (ii) document the distance accounting system used by the Registrant, the items included in the source documents, and the sources used by the Registrant to determine distances;
- (iii) assess and document internal controls;
- (iv) determine and document the adequacy of records and identify specific deficiencies;
- (v) result in a written report to the Registrant citing any specific deficiencies in the record keeping system;
- (vi) record all contacts with the Registrant; and,
- (vii) retain the completed Records Reviews according to the prevailing IRP Peer Review Audit records retention requirements.

(b) It is strongly recommended the base jurisdiction conduct a follow up contact with the Registrant if non-compliance issues are noted.

### **Official Commentary**

Notwithstanding Section 204, Records Reviews may be conducted by personnel processing apportioned applications if they meet all other provisions of the Manual.

## **APPENDIX A GLOSSARY**

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Analytical procedures – Evaluations of reported information through analysis of plausible relationships among both financial and non-financial data. Analytical procedures also encompass such investigation as is necessary of identified fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount.

Appropriateness (of audit evidence) – The measure of the quality of audit evidence; that is, its relevance and its reliability in providing support for the conclusions on which the auditor's opinion is based.

Audit file – One or more folders or other storage media, in physical or electronic form, containing the records that comprise the audit documentation for a specific engagement.

Audit procedures - the specific acts or steps performed by the auditor to attain his or her objectives in the particular audit engagement.

Audit program – a listing of audit procedures to be performed in completing an audit.

Audit sampling (sampling) – The application of audit procedures to less than 100% of items within a population of audit relevance such that all sampling units have a chance of selection in order to provide the auditor with a reasonable basis on which to draw conclusions about the entire population.

Due Professional Care – the care and skill expected of a reasonably prudent and competent auditor.

Error – A misstatement in the distance accounting/reporting system, including the omission of an amount.

Independence – Comprises:

(a) Independence of mind – the state of mind that permits the provision of an opinion without being affected by influences that compromise professional judgment, allowing an individual to act with integrity, and exercise objectivity and professional skepticism.

(b) Independence in appearance – the avoidance of facts and circumstances that are so significant a reasonable and informed third party, having knowledge of all relevant information, including any safeguards applied, would reasonably conclude that a member of the assurance team's, integrity, objectivity or professional skepticism had been compromised.

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Internal control – The process designed, implemented and maintained by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of a Registrant's objectives with regard to reliability of distance accounting system, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The term "controls" refers to any aspects of one or more of the components of internal control.

Must – used to specify an unconditional requirement.

Proficiency – Auditors performing the engagement should possess the knowledge, skills and other competencies needed to perform the Audit. The Audit function collectively should possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.

Should – Conformance is expected unless, when applying professional judgment, circumstances justify deviation.

Sufficiency (of audit evidence) – The measure of the quantity of audit evidence. The quantity of the audit evidence needed is affected by the auditor's assessment of the risks of material misstatement and also by the quality of such audit evidence.

Tests of controls – An audit procedure designed to evaluate the operating effectiveness of controls in preventing, or detecting and correcting, material misstatements at the assertion level.

Walk-through test – Involves tracing a few transactions through the distance accounting system.

Weakness in internal control – This exists when:

- (a) A control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the distance accounting system on a timely basis; or
- (b) A control necessary to prevent, or detect and correct, misstatements in the distance accounting system on a timely basis is missing.

Working papers – The record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached (terms such as "audit documentation" or "workpapers" are also sometimes used).

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<sup>1</sup>The appendix is included for convenience and is not part of the official text of the Audit Procedures Manual.

APPENDIX B  
EXAMPLE OF AUDIT REPORT

{Jurisdiction Name}  
International Registration Plan (IRP)  
Audit Report

Registrant Name:

Date:

Registrant Address:

Account #:

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City  
Zip  
Registrant Phone:

Fleet #  
Fed DOT#  
Lead Auditor:

Registrant Rep:

Registration Year(s)  
Audited:

Number of Vehicles  
Apportioned:

Type of Operation

- Common Carrier
- Contract Carrier
- For Hire
- For Hire Exempt
- For Hire Rental/Leasing Co
- Private

Commodity Class

- All
- Exempt
- Farm
- Household Goods
- Logs
- Minerals

- Passengers
- Construction
- Oil – Gas Services
- Other:

## RECORDS EVALUATION

Source Documents Maintained in Support of Distance:

- Driver Trip Reports
- Driver Logs
- Receiving Contracts
- Driver Pay Records
- Freight Bills or Manifests
- Other:

Items Reflected in Distance Source Documents Presented for Examination:

- Date of Trip (Begin & End)
- Total Trip Distance
- Carrier Name
- Routes of Travel
- Trip Origin and Destination
- Fleet Number
- Begin and End Odometer
- Vehicle Unit Number
- Driver Name
- Jurisdiction Crossing Odometer Reading
- Distance by Jurisdiction
- Other:

Sources Used by Carrier to Determine Distance:

- Odometer Readings
- Standard Distance Guide
- Other:
- Hubometer Readings
- Distance Software
- State Maps
- Estimated

Summaries Maintained in Support of Distance:

- Monthly Summaries by Vehicle
- Quarterly Summaries by Vehicle
- Annual Summaries by Vehicle
- Monthly Summaries by Fleet
- Quarterly Summaries by Fleet
- Annual Summaries by Fleet

Auditor's Evaluation of Registrant's Maintenance of Records:

- Adequate
- Inadequate

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Comments on Evaluation:

## Audit Findings

### REGISTRANT INFORMATION:

Describe the auditee's operations and industry, where they are located and how many units are apportioned in IRP.

- Summarize relevant application information
- Note unusual trends or variances

### AUDIT CONTACT:

Describe when and how the auditee was contacted and when the engagement packet was mailed.

- Document pre-audit contact was at least 30 days prior to field work
- Document a request for the records was made and that an assessment did not take place until 30 days after the request.
- Document discussions on time period of audit and required records

### EVALUATION OF INTERNAL CONTROLS:

Give a synopsis of the licensee's internal controls. Find out if there have been any changes to their reporting system, procedures, accounting policies or any other necessary information.

- Document audit was adequately planned and supervised through pre-audit analysis and internal control evaluation
- Document study and evaluation of reporting system and internal accounting controls
- Determine reliability of controls
- Identify any weakness in controls and how they may impact sampling procedures
- Note any changes in the registrant's accounting procedures or operations during the audit period

### OPENING CONFERENCE:

Document the opening conference date, people attending and any pertinent information discussed such as audit issues or questions concerning records.

- Verify opening conference date and persons attending
- Document any pertinent information discussed during opening conference

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## SAMPLING METHODOLOGY:

Describe the sampling methodology used to conduct the IRP audit. Include the number of months sampled and which months were sampled. If no sample was used, put down “100% examination”.

- Describe sampling methodology or reason sample was not conducted
- “100% Examination” used if no sample conducted
- Document number of months and vehicles sampled

## DISTANCE EXAMINATION:

Document and justify any audit procedures in respect to distance records. Include types of records audited, description of audit techniques employed and any changes to the apportioned distances of audited vs. reported.

- Describe types of source documents used to determine distance
- Describe type of source documents presented for examination
- Document and justify audit procedures and techniques used to verify reported distance
- Discuss method to assign or allocate unreported distance to all jurisdictions on the basis of each jurisdiction’s audited percentage of total distance or reason for alternate method
- Report any discrepancy between summary and application distance (generally, projections should be to summary distance - corrected if necessary); document conclusion and methodology
- Identify any vehicles removed from fleet and assessed full plate fees

## CLOSING CONFERENCE AND RECOMMENDATIONS

Describe when the closing conference was held and any remarks or recommendations made to the licensee to assist them in improving their record keeping. Communicate any other information that may be necessary.

- Verify closing conference date and persons attending
- Verify audit closing date allows a 30 day response period to registrant and 45 day response period for member jurisdictions
- Document any remarks, suggestions and recommendations made to licensee to assist in improving their record keeping system
- Provide a detailed list of the record keeping data items required in order to be in full compliance

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## SUMMARY:

This section can be used for any number of jurisdictional directives to the registrant including the net amount due. They could be reminded that all affected IRP member jurisdictions have the same authority with regard to interest and/or penalties as the base jurisdiction and may elect to bill the registrant separately. Any appeals procedures and their *Taxpayers' Bill of Rights* are often discussed.

- A brief narrative of the audit procedures, findings and any additional information deemed necessary

Submitted by.

<sup>1</sup>The appendix is included for convenience and is not part of the official text of the Audit Procedures Manual.