

# AUDIT SAMPLING PROCEDURES

## A. Choosing the Test Period

### 1. Selecting a Representative Period:

You will need to select a test period that is representative of the licensee's normal operations. First, choose the quarter that allows you to sample the most jurisdictions (distance and fuel). If you find many differences between the quarterly recapped and reported totals, or if you are sampling only one month from the test quarter, you would need to select your test quarter/month based on the recapped activity. In many cases, you will not be able to sample every jurisdiction that had reported/recapped activity during the audit period. In these cases, select the test period that allows you to sample the jurisdictions that have the most reported/recapped activity. Next, examine the amount of activity from period to period (try not to select the period with the largest or smallest activity, unless this period is the most representative for jurisdictions).

### 2. Use of a Test Month vs. a Test Quarter:

If the licensee has adequate summaries, you may sample a test month rather than a test quarter, regardless of the size of the audit. If the following requirement is met, you may sample one test month for a one-year IFTA and IRP audit.

#### Requirement:

The licensee **must** have monthly summaries that can be reconciled back to the reported totals. If these summaries are available, a recap **must** be prepared listing the distance and gallons per jurisdiction for each month in the test quarter, and the recapped totals must then be compared to the reported totals. This must be done for the quarter containing the test month, at a minimum. Depending on the time involved, you can recap the non-test quarters on either a quarterly or monthly basis.

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## B. Test Units

On some audits, you will need to select test units, rather than examine all units. You will want to select units that will be representative of the licensee's operations (varying weights, varying jurisdictions traveled, varying total distance, etc. – much of the same criteria used for selecting the test period).

### Requirement:

For test units to be used, the licensee *must* have unit summaries, on either a monthly or quarterly basis, which can be reconciled back to the reported totals. You *must* then recap the distance and gallons of each unit for each test month or quarter, and compare the recapped totals to reported distance and gallons. You should also do the same for the non-test quarters. On large audits where unit summaries are not available, it may be possible to create unit summaries from the licensee's records, but the time involved in doing this must be weighed with the time saved by only examining test units.

Some guidelines in selecting the number of test units to examine are listed below. However, always remember that this is not set in stone. You may be able to select less test units or need to select more test units, depending on the condition of the licensee's records and the errors found during the examination.

Fleet Size	Sample Size (per test quarter)
1 – 3 units	All units
4 – 10 units	2 – 3 units
11 – 20 units	4 – 5 units
21 – 50 units	6 – 7 units
51 – 100 units	8 – 12 units
Over 100 units	See supervisor

These guidelines are based on a one-year audit period with one test quarter. If you are examining a test month, you might want to consider increasing the number of test units (discuss with supervisor). For audits with more than 100 units, discuss the sample size with the audit supervisor.

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## C. Errors and Error Projections/Expansion of Test Period:

### 1. Isolated vs. Projected Errors

- a. Errors should be isolated (whether found in a non-test period or test period) if the error is found to be non-recurring. If you examine the entire audit period, all differences will be isolated. The most common isolated errors will be recap differences, when you recap the licensee's summaries and compare to the reported distance and gallons, and differences between the IFTA and IRP reported distance. Isolated errors that you might have in a test period would be one-time errors that you didn't find in any other test period and that you are confident didn't occur in any other period based on the records you've examined.
- b. Test period errors that are clerical in nature or recurring should be projected. Most test period errors will be projected on a routine audit. If you have an error that only occurred once in your test period, but that you feel could have occurred in other periods, you may want to expand your test period or do additional testing to determine whether or not it should be projected (See next section). Always analyze your error percents to make sure these are reasonable and that the projection is calculated correctly.

**IF IN DOUBT ABOUT WHETHER TO ISOLATE OR PROJECT AN ERROR, CONSULT THE SUPERVISOR.**

### 2. Expanding the Test Period

Test months or quarters should be expanded to include more months or more quarters if you find many errors that you don't feel comfortable projecting. Don't expand the test period just because you find a lot of errors, especially if you find the same type of errors in your other test months or quarters. This would indicate that these errors should be projected. However, if you find differences that cannot be projected (finding activity in jurisdictions that the licensee did not report), you may want to expand. You may be able to do additional testing to determine if certain errors should be projected or isolated, and thus avoid expanding the test period.

*\*\*Remember to update the sampling agreement if the test period is changed.*