## \*A100 INTRODUCTION

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2 3 .100 Audit is an essential element of ensuring compliance with the International Fuel Tax 4 Agreement (IFTA). Under the provisions of IFTA, the jurisdiction must audit the tax returns 5 and supporting documents of licensees based in that jurisdiction. The purpose of these this 6 manual is to set standards for auditors and member jurisdictions and to provide guidance 7 and procedures specifically for the performance of IFTA audits. guidelines is to establish a uniform procedure for International Fuel Tax Agreement (IFTA) jurisdictions to follow in 8 9 establishing jurisdiction audit procedures, employing and supervising audit staff, planning 10 and conducting audits, and reporting audit findings. This procedure eliminates the need for licensees to sustain multiple audits. Further, since an accurate and reliable distance 11 12 accounting system is an important requirement of both the International Registration Plan 13 (IRP) and IFTA agreements, jurisdictions are encouraged to perform IRP and IFTA audits 14 simultaneously if they are members of both agreements. The IFTA requires licensees to pay 15 fuel taxes to each participating jurisdiction commensurate with the distance traveled in each jurisdiction. To fulfill this requirement, an effective and uniform audit program is necessary 16 17 to verify the integrity of IFTA tax returns. It is essential that the basic audit program adopted 18 by each jurisdiction be uniform and thorough to insure accuracy. It is each jurisdiction's 19 responsibility to provide an adequate audit staff, to conduct an accurate audit in a professional manner, and to submit a full report to each member jurisdiction in which the 20 21 licensee operated. Under the provisions of IFTA, the jurisdiction administrator shall audit the tax returns and 22 23 supporting documents of licensees based in that jurisdiction. Upon completion of any such audit, the administrator shall notify the licensee and member jurisdictions in which distance 24 was accrued as to the accuracy of the licensee's IFTA tax returns. 25 26

27 .200 The Audit Procedures Manual is the basis used by the Program Compliance Review
 28 Committee in evaluating a member jurisdictions compliance with the audit requirements as
 29 set forth in Article XIII of the Agreement and in the Procedures Manual. A standard or
 30 procedure using the word must, shall or will specify a requirement where conformance is
 31 expected unless, when applying professional judgment, circumstances justify deviation. In
 32 all instances where deviation is required the rational must be documented in the work
 33 papers.

# \*A200 GENERAL AUDITING STANDARDS

# 39 | A210 GENERAL STANDARDS

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# .100 Training and Proficiency and Due Professional Care

Audit engagements must be performed with proficiency and due professional care. Auditors
 must possess the knowledge, skills and other competencies needed to perform an IFTA

44 audit. Auditors must apply the care and skill expected of a reasonably prudent and

45 competent auditor. Due professional care does not imply infallibility. Auditors must exercise

46 <u>due professional care by considering; the extent of the work needed to achieve the</u>

47 engagements objectives, relative complexity, materiality or significance of matters to which
 48 assurance procedures are applied.

49 The examination is to be performed by a person or persons having adequate

#### 50 technical training and proficiency in auditing as outlined in Section A400 of this

- 51 Manual.
- 52

#### 53 .200 Auditor Independence

54 Auditors and the audit organization must be independent and individual auditors must be objective in performing their audit work. The audit function must be free from interference in 55 56 determining the scope of the audit, performing work and communicating results. Auditors must have an impartial, unbiased attitude and avoid conflicts of interest. Impairments to 57 58 independence include, but are not limited to, auditors processing licensing applications. In 59 all matters relating to the assignment, an independence in mental attitude is to 60 be maintained by the auditor. The independent auditor must be without bias with respect to the licensee under audit to ensure the impartiality necessary for the 61 dependability of the findings. However, this independence does not imply the 62 attitude of a prosecutor, but rather a judicial impartiality that recognizes an 63 obligation to fairness. 64 65 66 .300 Professional CarePlanning and Supervision Due professional care is to be exercised in performing the examination and 67 68 preparing the report. .310 An audit must be adequately planned and supervised. Planning consists of developing 69 70 an overall strategy and a detailed approach to the execution of the audit. All persons 71 performing the audit need to understand the objectives of the work assigned and how the 72 work relates to the overall objective of the audit. Adequate supervision ensures that the 73 work of all persons is properly executed. 74 75 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 76 77 auditor(s). Plans may need to be changed as the audit progresses. 78 79 .320 The audit function must include a supervisory review of the audit file for accuracy and 80 completeness. This review must be documented in the audit file. 81 82 83 84 \*A220 EXAMINATION STANDARDS AUDITOR QUALIFICAIONS AND **RESPONSIBILITIES** 85 86

# .100 Preaudit Analysis

88 .100 Member jurisdictions are responsible for the staffing of gualified auditors based upon 89 the member jurisdiction's personnel guidelines. The staff assigned to conduct audits must

- possess professional proficiency for the tasks required. In cases where the audit is 90
- 91 performed by a third party or contract auditors, the member jurisdiction must ensure the
- 92 third party or contract auditors meet applicable professional standards. Preaudit analysis
- 93 shall be conducted and documented. Documentation shall
- 94 include, but is not limited to, an analysis of information reported on the IFTA
- 95 returns for any unusual areas or trends that might need further examination
- 96

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97	.200 Auditors must give all licensees and member jurisdictions fair consideration in order to
98	promote consistency in the IFTA Articles of Agreement, Procedures Manual and the Audit
99	Manual.
100	
101	.300 Auditors should conduct themselves in a manner promoting cooperation and good
102	relations with licensees and member jurisdictions.
103	
104	.400 The auditor is encouraged to take advantage of educational opportunities that enhance
105	and maintain auditing proficiency.
106	
107	Commentary
108	Auditors should conduct themselves at all times in a manner which will maintain the good
109	reputation of the auditing profession. In doing so, auditors are expected to avoid any action
110	that would discredit the profession. An auditor is expected to act in relation to other
111	professional colleagues with the courtesy and consideration he or she would expect to be
112	accorded by them.
113	
114	-200 Study and Evaluation
115	The auditor is to make a proper study and evaluation of the licensee's internal
116	accounting controls to determine their reliability and the extent to which auditing
117	procedures are to be restricted.
118	*A230 REPORTING STANDARD
119	The report shall contain a clear statement of the scope of the audit and must also clearly
120	state and describe the results of the auditor's examination.
121	
122	A300 IFTA AUDITING STANDARDSJURISDICTION AUDIT REQUIREMENTS
122 123	
122 123 124	A310 Each jurisdiction should use an audit program. An audit program provides for
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145 .200 Such aAudits shall cover at least\_one registration license year. This does not preclude 146 audits of individual licensees several times during the program compliance review period. 147 However, audits for a licensee selected that cover multiple registration license years, fuel 148 types, or both shall be counted as one audit for program compliance review purposes. 149 150 \*A320 A330 SELECTION OF AUDITS 151 <u>All licensees are subject to audit.</u> The following guidelines shall be used in selecting audits to fulfill the IFTA auditing\_requirements: 152 153 154 .100 Low-Distance/High-Distance Accounts Requirement 155 At least 15 percent of each member jurisdiction's audit requirement shall involve 156 low-distance accounts. (Low-distance accounts are considered to be the 25 157 percent of the previous year's licensees who had the lowest number of 158 miles/kilometers reported in all member jurisdictions). At least 25 percent of each 159 member jurisdiction's audit requirement shall involve high-distance accounts. High-distance accounts are considered to be the 25 percent of the previous 160 161 year's licensees who had the highest number of miles/kilometers reported in all 162 member jurisdictions.) 163 164 .200 Low-Distance/High-Distance Computations 165 Low-distance computations and high-distance computations shall be based on 166 total miles/kilometers reported by all IFTA licensees included on the annual report 167 filed by the jurisdiction pursuant to the IFTA Procedures Manual, Section 168 P1110.300.005 excluding new licensees, but including licensees who report no 169 operations during a quarter, for the first three quarters of each calendar year. 170 171 172 A400 PERSONNEL QUALIFICATIONS AND RESPONSIBILITIES 173 174 \*A410 ADMINISTRATION 175 .100 Member jurisdictions are responsible for the staffing of auditors who meet the 176 qualifications of that jurisdiction's personnel guidelines. .200 Member jurisdictions are responsible for proper training of audit and audit support 177 staffs in audit planning and audit procedures. There must be supervisory followup 178 179 and review of the auditor's procedures. 180 .300 Member jurisdictions are responsible for the actions of their auditors. 181 -400 The audit file shall contain documentation that any adjustments were reviewed and discussed with licensees representative prior to or concurrently with the 182 183 issuance of the final audit report unless the licensees are unavailable and this is 184 noted by the auditor in the audit report. 185 \*A420 AUDIT STAFF 186 .100 All licensees are subject to audit. In all matters relating to the audit work, the audit 187 organization and the individual auditors must be personally and organizationally 188 independent from the licensee. 189 .200 Auditors must conduct audits giving each member jurisdiction equal 190 consideration. 191 .300 Auditors shall audit all licensees under a uniform program unless special circumstances that dictate otherwise are documented. 192 193

194 A500 A400 GENERAL GUIDELINES 195 196 197 A510 A410 UNIFORMITY 198 For an audit to be acceptable to all member jurisdictions, it must be conducted in a 199 professional manner accordance with established audit procedures and the results clearly 200 documented. Standard terminology is to be used in reporting audit findings (See the IFTA 201 Agreement and Procedures Manual). However, it is necessary that each audit reflect 202 adequate information necessary to satisfy the commissioners of the various member 203 jurisdictions. 204 205 \*A520 A420STANDARD APPROACH 206 .100 Preliminary Audit Procedures 207 208 The purpose of performing preliminary audit procedures is to familiarize the auditor with 209 the licensee's business and reporting history. .005 If a previous audit was conducted and available, any findings of should be 210 documented in the audit file. 211 212 213 .010 The auditor should apply analytical procedure to the licensee's IFTA tax returns subject to audit. As a part of this process, the auditor should summarize return 214 215 information, note unusual trends or variances and draw conclusions. The procedures 216 must be documented in the audit file. 217 .200 Study and Evaluation 218 219 Audit eEmphasis should be placed on evaluation of the licensee's distance and fuel 220 accounting system., as distance allocation by jurisdiction is the basis for determining the 221 licensee'sfuel consumption and tax obligation for each jurisdiction. 222 223 .005 The auditor must gain an understanding of and document the licensee's 224 distance and fuel accounting system by evaluating the internal control. 225 226 .010 Identify any weaknesses. Any weaknesses must be documented in the audit file 227 and should be communicated to the licensee before finalization of the audit. 228 229 .015 The auditor should obtain sufficient and appropriate audit evidence in order to 230 draw reasonable conclusions on which to base the audit opinion of the licensee's 231 distance and fuel accounting system... 232 233 .300 Study and Examination 234 .005 It is suggested, but not required, that fleet miles/kilometers distance and fuel be 235 verified to source summary documentation for at least three representative quarters. 236 The auditor shall also verify that the total miles/kilometers have been properly distributed to the various jurisdictions. 237 238 239 .010 Not less than three representative months should be selected for audit with 240 respect to computations of jurisdiction distance via routes traveled and fuel 241 purchases to assure that all miles/kilometersdistance and fuel are reported. into the 242 system.

243	
243	
245	.005 In the event that an auditor is unable to determine any
246	reasonable method to assign or allocate unreported miles/kilometersdistance,
247	such distance shall be assigned to all jurisdictions on the basis of each
247	jurisdiction's audited percentage of total distance.
248 249	junsuiction s_addited percentage of total distance.
249 250	010 Any audit adjustment to total float miles/kilemateradistances and/or fuel
250 251	.010 Any audit adjustment to total fleet miles/kilometersdistances and/or fuel of individual jurisdictions will may require recomputation of the licensee's
	· · · ·
252	miles per_gallon/kilometers per liter. and, consequently, the fuel tax obligation
253	to variousjurisdictions.
254	
255	A530 A430 SAMPLING
256	Unless a specific situation dictates, all audits will be conducted on a sampling
257	basisSampling significantly reduces the amount of time for the licensee and facilitates a
258	timely completion of audit. Therefore sampling should be used unless a specific situation
259	dictates otherwise.
260	
261	<b>.100</b> Sample period(s) must be representative of the licensee's operations.
262	
263	.200 Sample period(s) may be different for member jurisdictions due to seasonal
264	operations.
265	
266	.300 The licensee should be allowed input into sample selection if legitimate reasons
267	exist.
268	
269	.400 An agreement that the sampling methodology is appropriate and representative should
270	be signed by the licensee and the auditor.
271	
272	*A540 A440 VERIFICATION OF LICENSEE RECORDS
273	.100 If the licensee's operational records are not located in the base jurisdiction and
274	the base jurisdiction's auditors must travel to where such-records are maintained,
275	the base jurisdiction may require the licensee to pay the base jurisdiction per
276	diem and travel expenses incurred by the auditor(s) in performance of such an
277	audit.
278	
279	.200 The audit will be completed using the best information available to the base
280	jurisdiction. The burden of proof is on the licensee.
281	
282	.300 The auditor will make any reasonable attempt to verify information reported on the
283	tax returns.
284	
285	.400 If the base jurisdiction utilizes a distance reporting software program to verify the
286	records of the licensee, that software program shall be used as an audit tool. The
287	auditor must use discretion when verifying the licensee's records. All documentation
288	required to be maintained in accordance with Section P540 of the IFTA Procedures Manual,
289	and any other records used by the licensee to substantiate its distance traveled, must be
290	considered by the auditor(s) in_determining an acceptable the adequacy of the distance
291	reporting system and the accuracy of reported distance traveled.

292	
293	*A550-A450 INADEQUATE LICENSEE RECORDS/ASSESSMENT
294	.100 Fuel UseMPG/KPL Estimation
295	If the licensee's records are lacking or inadequate to support any tax return filed
296	by the licensee or to determine the licensee's tax liability, the base jurisdiction
297	shall have authority to estimate the MPG/KPL fuel use upon (but is not limited to)based on
298	factors_such as the following:
299	
300	.005 Prior experience of the licensee;
301	
302	.010 Licensees with similar operations;
303	
304	.015 Industry averages;
305	
306	.020 Records available from fuel distributors; and
307	
308	.025 Other pertinent information the auditor may obtain or examine.
309	
310	Unless the auditor finds substantial evidence to the contrary by reviewing the
311	above, in the absence of adequate records, a standard of 4 MPG/1.7KPL will be
312	used (look at possibility to use a % factor adjustment that increases each audit
313	engagement for continued inadequate records.)
314	
315	.200 Tax Paid Fuel Credits
316	When tax paid fuel documentation is unavailable, all claims for tax paid fuel will be
317	disallowed.
318	
319	A600-A500 THE AUDIT PROCESS
320	
321	A610 A510 AUDIT NOTIFICATION
322	At least 30 days prior to conducting a routine the audit, the licensee should must be
323	contacted and advisedin an audit is to be conducted of the records substantiating distance
324	and fuel reported during the proposed audit period. Through the initial or subsequent audit
325	contacts, the licensee must be advised of the quarters to be audited, the type of records to
326	be audited and the proposed audit start date.
327	writing and advised of the approximate date that an audit is to be conducted and the time
328	period the audit will cover. The notification will provide the licensee the opportunity to
329	make the required records available and provide assurance the tentative audit schedule
330	is acceptable.
331	
332	.100 For purposes of documentation and to avoid misunderstanding, aA copy of the
333	notification letter should be incorporated included into the audit file. detailing the tentative
334	audit date and the documentation the licensee is required to furnish.
335	
336	.200 For just cause, nNotification requirements may be waived. Any waiver or
337	postponement must be documented in the audit file.
338	
339	.300 All pre-audit contact should be confirmed in writing.
340	

341	*A620 AUDIT COMMUNICATION BETWEEN JURISDICTIONS
342	-100 Jurisdictions may contact each other prior to the audit to obtain pertinent
343	information in accordance with each jurisdiction's disclosure policy.
344	.200 Copies of correspondence between the licensee and member jurisdictions that
345	have a bearing on a tax liability and special instructions that may affect the audit
346	shall be forwarded to the base jurisdiction in accordance with each jurisdiction's
347	disclosure policy. Belongs in best practices
348	
349	*A630 A520 OPENING CONFERENCE
350	-100 Except as defined in A630.200,
351	An opening conference shall be conducted with the licensee and documented in the audit
352	file. The purpose of this conference is to verify the licensee's operation and inform the
353	licensee of the scope of the audit, the records to be examined and describe the audit
354	procedures which will be used to conduct the engagement.
355	a documented opening conference shall held with
356	the licensee outlining the licensee's operation, audit procedures, records to be
357	examined, sample period, sampling procedures, etc. If an opening conference is not
358	conducted, the reason must be documented in the audit file. The method by which said
359	conference takes place is subject to the base jurisdiction's discretion and may
360	include, but is not limited to, the following: in person meetings, telephone
361	discussions, written correspondence, facsimile transmission, and electronic mail
362	messaging. The licensee and auditor should determine who has the
363	responsibility for the final acceptance of audit findings and who should be involved
364	in the closing conference.
365	
366	.200 In those circumstances where an opening conference is not held and/or
367	completed in accordance with A630.100 because the audit is being performed in
368	accordance with IFTA Articles of Agreement R1210, documentation must be
369	provided as to why the opening conference was not held and/or completed.
370	
371	*A640 A530 EVALUATION OF INTERNAL CONTROL
372	The auditor's study and evaluation of the licensee's internal accounting control system
373	has several identifiable phases.
374	
375	.100 Review and Documentation
376	The review of the system is an information-gathering phase in which the auditor,
377	through inquiry and observation, determines the licensee's accounting policies
378	and procedures. The auditor's objective is to obtain an understanding of the flow
379	of transaction processing. As part of this process, the auditor will:
380	.005 Find out if there have been changes in the licensee's accounting
381	procedures or operations during the audit period;
382	
383	.010 Identify the records that the licensee keeps to support the tax return;
384	
385	.015 Audit the support documentation and check with the licensee to determine
386	if any pre-auditing of support documentation is done prior to data entry;
387	and
388	

- 389 The auditor must documents the understanding of the licensee's distance and fuel
- 390 <u>accounting systems of and internal controls in the work papers. The auditor may use by</u>
   391 <u>completing a questionnaire, designed for this</u>
- 392 purpose or by diagramming or describing the flow of transactions in <u>a</u> flowchart or <u>a</u>
   393 narrative.
- 394 **form.**
- 395 To clarify this understanding, the auditor may select a few transactions of each
- transaction type and trace them through the accounting system from initiation to
- 397 ultimate recording. This is to ensure internal controls are functioning as described.
- 398

# 399 .200 Preliminary Evaluation

- 400 By studying and evaluating the internal control procedures, the auditor identifies 401 apparent weaknesses in the internal control system.
- 402

# 403 .300 Tests of Compliance

- 404 If controls are inadequate to permit reliance, the auditor may make a more
- 405 extensive review and perform tests of compliance. If weaknesses identified in the
- 406 preliminary evaluation preclude reliance, or if the auditor believes that more
- 407 efficient or effective audit tests are possible without reliance, the auditor will plan
- 408 audit procedures without any further study and evaluation of accounting control.
- 409 410

## 411 .400 Report on Weaknesses

- 412 The extensiveness of the review of the system and whether tests of compliance
- 413 are made are matters of the auditor's judgment. Any serious weaknesses
- 414 identified will should be formally promptly reported promptly to the licensee rather than at
- 415 completion of the audit.416

# 417 \*A650 A540 CLOSING CONFERENCE

- 418 .100 Except as defined in A650.200,
- 419 A closing conference shall be conducted with the licensee and documented in the audit file.
- 420 The purpose of this conference is to inform the licensee of the preliminary audit findings and
- 421 any changes to the licensee's tax liability resulting from the examination. The auditor
- 422 should provide the licensee with recommendations for improvement, if applicable, and
- 423 advise the licensee of their rights of appeal. The auditor should verify with the licensee who
- 424 should receive the audit report.
- 425 a documented closing conference shall held with
- 426 the licensee outlining preliminary findings to include applicable penalty and
- 427 interest, recommendations, rights of appeal, and identifying the person to whom
- 428 the audit report should be addressed. If a closing conference is not conducted, the reason
- 429 <u>must be documented in the audit file.</u> The method by which said conference
- 430 takes place is subject to the base jurisdiction's discretion and may include, but is
- 431 not limited to, the following: in person meetings, telephone discussions, written
- 432 correspondence, facsimile transmissions, and electronic mail messaging.
- 433
- 434 **.200** In those circumstances where a closing conference is not held and/or completed
- 435 in accordance with A650.100 because the audit was completed in accordance
- 436 with IFTA Articles of Agreement R1210, documentation must be provided as to
- 437 why the closing conference was not held and/or completed.

<ul> <li>*A660 A550 AUDIT REPORTS</li> <li>REPORTING STANDARDS</li> <li>A report must be issued which must contain a clear statement of the scope of the audit and must also clearly state, describe and support the results.</li> <li>100 Licensee Audit Report</li> <li>An complete audit report documenting the audit must be prepared by the auditor and sent to the licensee and affected member jurisdiction. The report shall contain, but not be limited to at least, the following information:</li> <li>005-010 Name of the Base Jurisdiction;</li> <li>005-010 Name and address of licensee;</li> <li>004-015 Account number;</li> <li>0020 FEIN or equivalent;</li> <li>005-030 Types of records audited;</li> <li>002-040 Net distance adjustment;</li> <li>0045-045 Net tax paid fuel purchases adjustment;</li> <li>005-040 Net distance adjustment;</li> <li>005-040 Net distance adjustment;</li> <li>005-040 Net distance adjustment;</li> <li>005-040 Net distance adjustment;</li> <li>0060 MPG/KPL as reported;</li> <li>005-040 Net fuel tax adjustment per jurisdiction;</li> <li>005 Addited Tax by jurisdiction;</li> <li>005 Addited Tax by jurisdiction;</li> <li>005 Reported Tax by jurisdiction;</li> <li>005 Reported Tax by jurisdiction;</li> <li>005 Reported Tax dust requirements of the agreement;</li> <li>0010 Recommendations as a result of the findings;</li> <li>0010 Recommendations as a result of the findings;</li> <li>0010 Recommendation sa as a result of the findings;</li> <li>005 Areas of increvenents;</li> <li>0010 Recommendations;</li> <li>005 Areas of undervereer-an Interjurisdictional Official and date.</li> <li>200 Interjurisdiction shall prepare-an Interjurisdictional Audit Report utilizing a layout similar to the example report forms contained in appendix A, and shall contain, but not be limited to, the following information:</li> <li>005 Readition shall prepare-an Interjurisdictional Audit Report utilizing a layout similar to the example report forms contained in appendix A, and shall contain, but not be dimited to, the followi</li></ul>		
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441       REPORTING STANDARDS         442       A report must be issued which must contain a clear statement of the scope of the audit and         443       must also clearly state, describe and support the results.         444       100 Licensee Audit Report         445       100 Licensee Audit Report         446       An eemplete audit report documenting the audit must be prepared by the auditor and sent to         447       the licensee and affected member jurisdiction. The report shall contain, but not be limited to         448       atleast, the following information:         449       .005 Name of the Base Jurisdiction;         450       .006 D10 Name and address of licensee;         451       .040-015Account number;         452       .020 FEIN or equivalent;         453       .046-025 Audit period;         454       .020 Jupes of records audited;         455       .040-025 Multi period;         456       .030 -040 Net distance adjustment;         457       .046-025 MUB/KIA cas resported;         458       .040 020 MPG/KPL as result of audit;         459       .045 050 MPG/KPL as result of audit;         460       .060 Reported Tax by jurisdiction;         461       .065 Denaly;         462       .080 Total by iurisdiction; <t< td=""><th>439</th><td>*<mark>A660_A550</mark>_AUDIT REPORTS</td></t<>	439	* <mark>A660_A550</mark> _AUDIT REPORTS
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<ul> <li>454 0.020_030_Types of records audited;</li> <li>455 0.026_035_Description of audit techniques employed;</li> <li>456 0.040 Net distance adjustment;</li> <li>457 0.035_045_Net tax paid fuel purchases adjustment;</li> <li>458 0.040_050_MPG/KPL as reported;</li> <li>459 0.445_055_MPG/KPL as result of audit;</li> <li>460 0.060 Reported Tax by jurisdiction;</li> <li>461 0.058_Audited Tax by jurisdiction;</li> <li>462 0.050_070_Net fuel tax adjustment per jurisdiction;</li> <li>463 0.050_Ponalty;</li> <li>464 0.050 Penalty;</li> <li>465 0.080 Total by jurisdiction;</li> <li>466 0.085 Requirements and Recommendations;</li> <li>467 0.005 Identify deficiencies with requirements of the agreement;</li> <li>468 0.010 Recommendations; and</li> <li>469 0.015 Areas of improvements;</li> <li>470 0.020 Identify potential consequences for continued non-compliance.</li> <li>471 0.056 Remarks and recommendations; and</li> <li>472 0.060 0.055 Signature of auditor or reviewing jurisdictional official and date.</li> <li>473</li> <li>474 200 Interjurisdiction shall prepare an Interjurisdictional Audit Report utilizing a</li> <li>475 1 The base jurisdiction shall prepare an Interjurisdictional Audit Report utilizing a</li> <li>473 1.005 name of base jurisdiction;</li> <li>474 .005 name of base jurisdiction;</li> <li>475 The base jurisdiction shall prepare an Interjurisdictional Audit Report utilizing a</li> <li>476 1.005 name of base jurisdiction;</li> <li>477 contain, but not be limited to, the following information:</li> <li>478 .005 name of base jurisdiction;</li> <li>479 .010 name and address of licensee;</li> <li>481 .020 reported tax by jurisdiction;</li> <li>482 .025 audited tax by jurisdiction;</li> <li>483 .036 interest by jurisdiction;</li> <li>484 .035 interest by jurisdiction; and</li> <li>494 .035 interest by jurisdiction; and</li> <li>494 .035 interest by jurisdiction;</li> <li>495 .040 total by jurisdiction;</li> </ul>	453	
<ul> <li>455 0.25 0.25 0.25 0.25 0.25 0.25 0.25 0.</li></ul>		
<ul> <li>456 .030 040 Net distance adjustment;</li> <li>457 .035 045 Net tax paid fuel purchases adjustment;</li> <li>.040 050 MPG/KPL as reported;</li> <li>459 .045 055 MPG/KPL as result of audit;</li> <li>460 .060 Reported Tax by jurisdiction;</li> <li>461 .065 Audited Tax by jurisdiction;</li> <li>462 .055 Interest by jurisdiction;</li> <li>463 .075 Interest by jurisdiction;</li> <li>464 .080 Penalty;</li> <li>465 .080 Total by jurisdiction;</li> <li>466 .085 Requirements and Recommendations;</li> <li>467 .005 Identify deficiencies with requirements of the agreement;</li> <li>468 .010 Recommendations as a result of the findings;</li> <li>469 .015 Areas of improvements;</li> <li>470 .020 Identify potential consequences for continued non-compliance.</li> <li>471 .066 085 Signature of auditor or reviewing jurisdictional official and date.</li> <li>473 .020 Interjurisdiction shall prepare an Interjurisdictional Audit Report utilizing a</li> <li>489 layout similar to the example report forms contained in appendix A, and shall</li> <li>477 contain, but not be limited to, the following information:</li> <li>.005 none and address of licensee;</li> <li>.015 Federal Employer Identification Number or equivalent;</li> <li>.020 reported tax by jurisdiction;</li> <li>.025 audited tax by jurisdiction;</li> <li>.025 audited tax by jurisdiction;</li> <li>.025 none of base jurisdiction;</li> <li>.025 none of base jurisdiction;</li> <li>.026 reported tax by jurisdiction;</li> <li>.025 audited tax by jurisdiction;</li> <li>.026 interest by jurisdiction;</li> <li>.025 audited tax by jurisdiction;</li> <li>.026 interest by jurisdiction;</li> <li>.030 ponalty;</li> <li>.035 interest by jurisdiction;</li> <li>.030 ponalty;</li> <li>.035 interest by jurisdiction;</li> <li>.036 interest by jurisdic</li></ul>		
<ul> <li>457</li> <li>.035-045 Net tax paid fuel purchases adjustment;</li> <li>.044-050 MPG/KPL as reported;</li> <li>.045-055 MPG/KPL as result of audit;</li> <li>.066 Reported Tax by jurisdiction;</li> <li>.065 Audited Tax by jurisdiction;</li> <li>.065 Audited Tax by jurisdiction;</li> <li>.065 Audited Tax adjustment per jurisdiction;</li> <li>.065 Audited Tax by jurisdiction;</li> <li>.065 Audited Tax adjustment per jurisdiction;</li> <li>.065 Audited Tax by jurisdiction;</li> <li>.065 Audited Tax by jurisdiction;</li> <li>.065 Audited Tax adjustment per jurisdiction;</li> <li>.080 Penalty;</li> <li>.080 Penalty;</li> <li>.080 Total by jurisdiction;</li> <li>.005 Identify deficiencies with requirements of the agreement;</li> <li>.005 Identify deficiencies with requirements of the agreement;</li> <li>.005 Identify potential consequences for continued non-compliance.</li> <li>.010 Recommendations; and</li> <li>.020 Identify potential consequences for continued non-compliance.</li> <li>.020 Interciparisdictional Audit Report</li> <li>.020 Interciparisdictional Audit Report forms contained in appendix A, and shall contain, but not be limited to, the following information:</li></ul>		
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### 487 \*A670 A560 AUDIT DOCUMENTATION

- 488 The audit documentation shall accomplish the following: 489
- 490 **.100** Communicate the results of the audit, showing adjusted distance, fuel and the 491 monetary results;
- 492493 .200 Document and justify procedures conducted by the auditor;
- 494

499

- 495 .300 Indicate source of audit results. For example, audited fuel determined from retail
  496 | purchase receipts;
  497
- 498 **.400** Communicate suggestions and recommendations made to the licensee; and
- 500 **.500** Clearly support audit findings. 501

### 502 \*A680 A570 AUDIT FILE CONTENTS

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

### 504 .100 Schedules

- 505 .005 Summary schedules
- 506Summary schedules shall include reported and audited fuel and distance507for each affected jurisdiction. They shall also include the assessment or508refund for the jurisdictions and the net total assessment or refund due for509the audit, including all penalties and interest.
- 510511 .010 Supplementary schedules
- 512 Supplementary schedules shall provide additional detail for results on the 513 summary schedules. Supplementary schedules will contain, but not be
- 514 limited to, schedules showing how audited fuel and distances were
- 515 calculated and the computation of adjustment factors determined from a
- 516 sample, if applicable.

# 518 .200 Support Documentation

- 519 .005 Detail Information
- 520 Detail Information is documentation of actual records reviewed, which 521 support the audit results. Detail information includes, but is not limited to, 522 the following; detail of retail or bulk purchases, detail of bulk fuel 523 withdrawals and analysis of trips audited, showing audited distance in total
- and per jurisdiction. This information may be maintained on a workpaper
   or electronically, on a database.
- 526 .010 Listing of Records Maintained
- A listing of records maintained shall indicate what records are maintained
  and presented by the licensee and whether the records comply with the
  Agreement.
- 531.015 A synopsis of opening and closing conference notes with licensee532indicating date and persons attending.
- 533 534

517

# 535 Please note: Another working group has been tasked by the Board to

# 536 review appeals of audits.

# 537 \*A690 A580 COMMUNICATION OF AUDIT FINDINGS

538 .100 Following the close-out conference and any review period deemed necessary, the

539 base jurisdiction will furnish the licensee with the Licensee Audit Report and its

540 customary notice of assessment, billing or other notification which would signify 541 the beginning of the licensee's appeal period.

542 .200 Within 45 days of furnishing the licensee with the finalized Licensee Audit Report

543 and its customary notification of assessment or billing, the commissioner shall

send an Interjurisdictional Audit Report to all affected member jurisdictions

545 notifying those jurisdictions of the accuracy of the records of said licensee and

any resulting adjustment of fuel taxes. An affected jurisdiction is any jurisdiction in

547 which the licensee reported or accrued miles/kilometers, fuel or experiences any

548 changes in the reported vs. audited calculations during the audit period. The

549 Licensee Audit Report shall be considered to be finalized when the notification of

- assessment or billing issued to the licensee triggers the right to appeal such
- assessment or billing. Where a licensee does not agree with the initial notification
- of audit findings and the base jurisdiction has granted more time to review the

audit results and/or review additional records before the formal appeals process

554 begins, the Licensee Audit Report will not be considered finalized.

**.300** Member jurisdictions may request copies of the audit reports and work papers. A

copy of the audit report, work papers, supporting documentation and any pertinent

557 post-audit communications must be maintained by the base jurisdiction as part of

the audit file for a period of four years from the date of completion of the audit.

**.400** Fuel tax adjustments resulting from audit findings will be documented and

560 included on monthly transmittals.

561 .500 In the event that the results of audit indicate funds owed to affected member

562 jurisdictions and the licensee remits payment in full on or before the due date

563 established by the base jurisdiction, such funds shall be remitted by the base

564 jurisdiction to affected member jurisdictions in the manner and at the time

565 prescribed by P1040. In the event the base jurisdiction sends or causes to be

- sent a transmittal to a member jurisdiction which shows money owing to the base
- jurisdiction, the jurisdiction being billed shall remit payment to the base jurisdiction
- 568as prescribed by P1040

**.600** Should a licensee fail to remit payment in full on or before the due date

570 established by the base jurisdiction, the base jurisdiction may choose one of the

571 following options in remitting audit funds to affected member jurisdictions:

# 572 **Option 1**

573 The base jurisdiction may remit any additional money owed by a licensee to

574 affected member jurisdictions when payment is received. Upon receipt of a

575 partial payment, the base jurisdiction must remit the payment on a pro-rata basis

to affected member jurisdictions by the last day of the month following the month

577 in which payment is received from the licensee. Credits due the licensee from

578 one or more affected member jurisdictions shall be considered a payment made

579 by the licensee. Total credits due the licensee and actual payments made by the

580 licensee shall be allocated to each affected member jurisdiction owed based on

- 581 the following formula:
- 582 Credits and/or

### 583 Net Amount Due a Jurisdiction X Payments Available

## 584 **Total Amount Due all Jurisdictions to allocate**

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

## 590 **Option 2**

- 591 The base jurisdiction may make payment of an audit liability in full to each affected
- 592 member jurisdiction. If all or a portion of the funds originally remitted to the
- 593 affected member jurisdictions is subsequently deemed uncollectible for one or
- 594 more of the reasons stated in the IFTA Procedures Manual Section
- 595 P1060.200.010, the base jurisdiction will be entitled to a refund of money
- 596 previously remitted. If a portion of the money previously remitted is deemed to be
- 597 uncollectible, the amount of the refund due from each affected member
- 598 jurisdiction shall be calculated on a pro-rata basis applying the same formula set
- 599 forth in Option1. Such refund shall be made by an adjustment to a future monthly
- 600 transmittal. Adjustments made to previously remitted audit results deemed to be
- 601 uncollectible must be indicated as such on the transmittal.
- 602

## 603 A700 COMPLIANCE

## 604 A710 FOLLOW-UP VISITS

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

## 607 A720 REMINDER LETTERS

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

### 609 A730 PRESUMPTION OF FINDINGS Best practices

- 610 The findings of the base jurisdiction's audit as to the amount of fuel taxes due from any
- 611 licensee shall be presumed to be correct. However, if the licensee is in disagreement
- 612 with the original findings, the licensee may request any or every jurisdiction to audit the
- 613 licensee's records. Each jurisdiction upon whom a request is made may elect to accept
- 614 or deny the request. See IFTA Articles of Agreement Section R1450.200.
- 615