

*A100 INTRODUCTION

.100 Audit is an essential element of ensuring compliance with the International Fuel Tax Agreement (IFTA). Under the provisions of IFTA, the jurisdiction must audit the tax returns and supporting documents of licensees based in that jurisdiction. The purpose of these this manual is to set standards for auditors and member jurisdictions and to provide guidance 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 establishing jurisdiction audit procedures, employing and supervising audit staff, planning and conducting audits, and reporting audit findings. This procedure eliminates the need for licensees to sustain multiple audits. Further, since an accurate and reliable distance accounting system is an important requirement of both the International Registration Plan (IRP) and IFTA agreements, jurisdictions are encouraged to perform IRP and IFTA audits simultaneously if they are members of both agreements. The IFTA requires licensees to pay fuel taxes to each participating jurisdiction commensurate with the distance traveled in each jurisdiction. To fulfill this requirement, an effective and uniform audit program is necessary to verify the integrity of IFTA tax returns. It is essential that the basic audit program adopted by each jurisdiction be uniform and thorough to insure accuracy. It is each jurisdiction's responsibility to provide an adequate audit staff, to conduct an accurate audit in a professional manner, and to submit a full report to each member jurisdiction in which the licensee operated.

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

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

*A200 GENERAL AUDITING STANDARDS

A210 GENERAL STANDARDS

.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 audit. Auditors must apply the care and skill expected of a reasonably prudent and competent auditor. Due professional care does not imply infallibility. Auditors must exercise due professional care by considering; the extent of the work needed to achieve the engagements objectives, relative complexity, materiality or significance of matters to which assurance procedures are applied.

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

technical training and proficiency in auditing as outlined in Section A400 of this Manual.

.200 Auditor Independence

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

.300 Professional Care Planning and Supervision

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

.310 An audit must be adequately planned and supervised. 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 and how the 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 auditor(s). Plans may need to be changed as the audit progresses.

.320 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.

***A220 EXAMINATION STANDARDS AUDITOR QUALIFICATIONS AND RESPONSIBILITIES**

.100 Preaudit Analysis

.100 Member jurisdictions are responsible for the staffing of qualified auditors based upon 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 performed by a third party or contract auditors, the member jurisdiction must ensure the third party or contract auditors meet applicable professional standards. Preaudit analysis shall be conducted and documented. Documentation shall include, but is not limited to, an analysis of information reported on the IFTA returns for any unusual areas or trends that might need further examination

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 STANDARDS JURISDICTION AUDIT REQUIREMENTS**

123
124 A310 Each jurisdiction should use an audit program. An audit program provides for
125 consistent application of audit procedures, serves as a training tool for new auditors and
126 facilitates the review of the audit. An audit program does not preclude the use of auditor
127 judgment. Deviations from an audit program are acceptable if they are reasonable given the
128 audit circumstances and must be documented in the audit file and approved by the audit
129 supervisor.

130 131 ***A310-A320 NUMBER OF AUDITS**

132 .100 Jurisdictions are required to complete audits on an average of three (3) % of the
133 number of IFTA accounts reported annually by that jurisdiction, excluding the number of
134 new licensees for each year of a program compliance review period. The number of IFTA
135 accounts annually reported is defined by Section P1110.300.005 in the IFTA Procedure
136 Manual. Jurisdictions are excluded from this requirement during their IFTA implementation
137 year. Base jurisdictions will be held accountable for audits and will be required to complete
138 audits of
139 an average of 3 percent per year of the number of IFTA accounts required to be reported by
140 that
141 jurisdiction on the annual reports filed pursuant to the IFTA Procedures Manual, Section
142 P1110.300.005 excluding new licensees, for each year of the program compliance review
143 period, other than the jurisdiction's IFTA implementation year.
144

~~.200~~Such audits shall cover at least one registration-license year. This does not preclude audits of individual licensees several times during the program compliance review period. However, audits for a licensee selected that cover multiple registration-license years, fuel types, or both shall be counted as one audit for program compliance review purposes.

~~*A320-A330~~ SELECTION OF AUDITS

All licensees are subject to audit. The following guidelines shall be used in selecting audits to fulfill the IFTA auditing requirements:

.100 Low-Distance/High-Distance Accounts Requirement

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

.200 Low-Distance/High-Distance Computations

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

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~~A400 PERSONNEL QUALIFICATIONS AND RESPONSIBILITIES~~

~~*A410 ADMINISTRATION~~

~~.100 Member jurisdictions are responsible for the staffing of auditors who meet the qualifications of that jurisdiction's personnel guidelines.~~

~~.200 Member jurisdictions are responsible for proper training of audit and audit support staffs in audit planning and audit procedures. There must be supervisory followup and review of the auditor's procedures.~~

~~.300 Member jurisdictions are responsible for the actions of their auditors.~~

~~.400 The audit file shall contain documentation that any adjustments were reviewed and discussed with licensees representative prior to or concurrently with the issuance of the final audit report unless the licensees are unavailable and this is noted by the auditor in the audit report.~~

~~*A420 AUDIT STAFF~~

~~.100 All licensees are subject to audit. In all matters relating to the audit work, the audit organization and the individual auditors must be personally and organizationally independent from the licensee.~~

~~.200 Auditors must conduct audits giving each member jurisdiction equal consideration.~~

~~.300 Auditors shall audit all licensees under a uniform program unless special circumstances that dictate otherwise are documented.~~

~~A500-A400~~ GENERAL GUIDELINES

~~A510-A410~~ UNIFORMITY

For an audit to be acceptable to all member jurisdictions, it must be conducted in ~~a~~ professional manner accordance with established audit procedures and the results clearly documented. Standard terminology is to be used in reporting audit findings (See the IFTA Agreement and Procedures Manual). However, it is necessary that each audit reflect adequate information necessary to satisfy the commissioners of the various member jurisdictions.

~~*A520-A420~~ STANDARD APPROACH

.100 Preliminary Audit Procedures

The purpose of performing preliminary audit procedures is to familiarize the auditor with the licensee's business and reporting history.

.005 If a previous audit was conducted and available, any findings of should be documented in the audit file.

.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 information, note unusual trends or variances and draw conclusions. The procedures must be documented in the audit file.

.200 Study and Evaluation

~~Audit e~~ Emphasis should be placed on evaluation of the licensee's distance and fuel accounting system, as distance allocation by jurisdiction is the basis for determining the licensee's fuel consumption and tax obligation for each jurisdiction.

.005 The auditor must gain an understanding of and document the licensee's distance and fuel accounting system by evaluating the internal control.

.010 Identify any weaknesses. Any weaknesses must be documented in the audit file and should be communicated to the licensee before finalization of the audit.

.015 The auditor should obtain sufficient and appropriate audit evidence in order to draw reasonable conclusions on which to base the audit opinion of the licensee's distance and fuel accounting system..

.300 Study and Examination

.005 It is suggested, but not required, that ~~fleet miles/kilometers~~ distance and fuel be verified to ~~source summary~~ documentation for at least three representative quarters. The auditor shall also verify that the total miles/kilometers have been properly distributed to the various jurisdictions.

.010 Not less than three representative months should be selected for audit with respect to computations of jurisdiction distance via routes traveled and ~~fuel purchases~~ to assure that all ~~miles/kilometers~~ distance and fuel are reported into the system.

.005 In the event that an auditor is unable to determine any reasonable method to assign or allocate unreported ~~miles/kilometers~~distance, such distance shall be assigned to all jurisdictions on the basis of each jurisdiction's audited percentage of total distance.

.010 Any audit adjustment to total fleet ~~miles/kilometers~~distances and/or fuel of individual jurisdictions ~~will~~may require recomputation of the licensee's miles per gallon/kilometers per liter. ~~and, consequently, the fuel tax obligation to various jurisdictions.~~

A530-A430 SAMPLING

~~Unless a specific situation dictates, all audits will be conducted on a sampling basis. Sampling significantly reduces the amount of time for the licensee and facilitates a timely completion of audit. Therefore sampling should be used unless a specific situation dictates otherwise.~~

.100 Sample period(s) must be representative of the licensee's operations.

.200 Sample period(s) may be different for member jurisdictions due to seasonal operations.

.300 The licensee should be allowed input into sample selection if legitimate reasons exist.

.400 An agreement that the sampling methodology is appropriate and representative should be signed by the licensee and the auditor.

***A540-A440 VERIFICATION OF LICENSEE RECORDS**

.100 If the licensee's operational records are not located in the base jurisdiction and the base jurisdiction's auditors must travel to where ~~such~~ records are maintained, the base jurisdiction may require the licensee to pay the base jurisdiction per diem and travel expenses incurred by the auditor(s) in performance of ~~such~~ an audit.

.200 The audit will be completed using the best information available to the base jurisdiction. The burden of proof is on the licensee.

.300 The auditor will make any reasonable attempt to verify information reported on the tax returns.

.400 If the base jurisdiction utilizes a distance reporting software program to verify the records of the licensee, that software program shall be used as an audit tool. ~~The auditor must use discretion when verifying the licensee's records.~~ All documentation required to be maintained in accordance with Section P540 of the IFTA Procedures Manual, and any other records used by the licensee to substantiate its distance traveled, must be considered by the auditor(s) in determining an acceptable the adequacy of the distance reporting system and the accuracy of reported distance traveled.

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293 | ***~~A550-A450~~ INADEQUATE LICENSEE RECORDS/ASSESSMENT**

294 | **.100 ~~Fuel Use~~MPG/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**

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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 advised in 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, a~~ copy of the
333 | notification letter should be incorporated included into the audit file. ~~detailed the tentative~~
334 | ~~audit date and the documentation the licensee is required to furnish.~~

335 |
336 | ~~.200 For just cause, n~~Notification 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.

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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;

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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

The auditor must documents ~~the understanding of~~ the licensee's distance and fuel accounting systems ~~of and~~ internal controls in the work papers. The auditor may use by completing a questionnaire, designed for this purpose or by diagramming or describing the flow of transactions in a flowchart or a narrative form.

To clarify this understanding, the auditor may select a few transactions of each transaction type and trace them through the accounting system from initiation to ultimate recording. This is to ensure internal controls are functioning as described.

.200 Preliminary Evaluation

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

.300 Tests of Compliance

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

.400 Report on Weaknesses

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

***A650-A540 CLOSING CONFERENCE**

~~.100 Except as defined in A650.200, A closing conference shall be conducted with the licensee and documented in the audit file. The purpose of this conference is to inform the licensee of the preliminary audit findings and any changes to the licensee's tax liability resulting from the examination. The auditor should provide the licensee with recommendations for improvement, if applicable, and advise the licensee of their rights of appeal. The auditor should verify with the licensee who should receive the audit report. a documented closing conference shall held with the licensee outlining preliminary findings to include applicable penalty and interest, recommendations, rights of appeal, and identifying the person to whom the audit report should be addressed. If a closing conference is not conducted, the reason must be documented in the audit file. The method by which said conference takes place is subject to the base jurisdiction's discretion and may include, but is not limited to, the following: in person meetings, telephone discussions, written correspondence, facsimile transmissions, and electronic mail messaging.~~

~~.200 In those circumstances where a closing conference is not held and/or completed in accordance with A650.100 because the audit was completed in accordance with IFTA Articles of Agreement R1210, documentation must be provided as to why the closing conference was not held and/or completed.~~

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439 ***~~A660~~ A550 AUDIT REPORTS**

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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.
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445 **.100 Licensee Audit Report**

446 An ~~complete~~ 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 at least, the following information:

449 .005 Name of the Base Jurisdiction;

450 .005-010 Name and address of licensee;

451 .010-015 Account number;

452 .020 FEIN or equivalent;

453 .015-025 Audit period;

454 .020-030 Types of records audited;

455 .025-035 Description of audit techniques employed;

456 .030-040 Net distance adjustment;

457 .035-045 Net tax paid fuel purchases adjustment;

458 .040-050 MPG/KPL as reported;

459 .045-055 MPG/KPL as result of audit;

460 .060 Reported Tax by jurisdiction;

461 .065 Audited Tax by jurisdiction;

462 .050-070 Net fuel tax adjustment per jurisdiction;

463 .075 Interest by jurisdiction;

464 .080 Penalty;

465 .080 Total by jurisdiction;

466 .085 Requirements and Recommendations:

467 _____ .005 Identify deficiencies with requirements of the agreement;

468 _____ .010 Recommendations as a result of the findings;

469 _____ .015 Areas of improvements;

470 _____ .020 Identify potential consequences for continued non-compliance.

471 .055 Remarks and recommendations; and

472 .060-085 Signature of auditor or reviewing jurisdictional official and date.
473

474 **.200 Interjurisdictional Audit Report**

475 The base jurisdiction shall prepare an Interjurisdictional Audit Report utilizing a
476 layout similar to the example report forms contained in appendix A, and shall
477 contain, but not be limited to, the following information:

478 .005 name of base jurisdiction;

479 .010 name and address of licensee;

480 .015 Federal Employer Identification Number or equivalent;

481 .020 reported tax by jurisdiction;

482 .025 audited tax by jurisdiction;

483 .030 penalty;

484 .035 interest by jurisdiction; and

485 .040 total by jurisdiction.
486

***~~A670~~-A560 AUDIT DOCUMENTATION**

The audit documentation shall accomplish the following:

.100 Communicate the results of the audit, showing adjusted distance, fuel and the monetary results;

.200 Document and justify procedures conducted by the auditor;

.300 Indicate source of audit results. For example, audited fuel determined from retail purchase receipts;

.400 Communicate suggestions and recommendations made to the licensee; and

.500 Clearly support audit findings.

***~~A680~~-A570 AUDIT FILE CONTENTS**

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

.100 Schedules

.005 Summary schedules

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

.010 Supplementary schedules

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

.200 Support Documentation

.005 Detail Information

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

.010 Listing of Records Maintained

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

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

Please note: Another working group has been tasked by the Board to review appeals of audits.

***A690-A580 COMMUNICATION OF AUDIT FINDINGS**

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

.200 Within 45 days of furnishing the licensee with the finalized Licensee Audit Report and its customary notification of assessment or billing, the commissioner shall send an Interjurisdictional Audit Report to all affected member jurisdictions 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 which the licensee reported or accrued miles/kilometers, fuel or experiences any changes in the reported vs. audited calculations during the audit period. The 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 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 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 included on monthly transmittals.

.500 In the event that the results of audit indicate funds owed to affected member jurisdictions and the licensee remits payment in full on or before the due date established by the base jurisdiction, such funds shall be remitted by the base jurisdiction to affected member jurisdictions in the manner and at the time 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 as prescribed by P1040

.600 Should a licensee fail to remit payment in full on or before the due date established by the base jurisdiction, the base jurisdiction may choose one of the following options in remitting audit funds to affected member jurisdictions:

Option 1

The base jurisdiction may remit any additional money owed by a licensee to affected member jurisdictions when payment is received. Upon receipt of a 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 in which payment is received from the licensee. Credits due the licensee from one or more affected member jurisdictions shall be considered a payment made by the licensee. Total credits due the licensee and actual payments made by the licensee shall be allocated to each affected member jurisdiction owed based on the following formula:

Credits and/or

Net Amount Due a Jurisdiction X Payments Available

Total Amount Due all Jurisdictions to allocate

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 be uncollectible for one or more of the reasons stated in the IFTA Procedures Manual Section P1060.200.010, must be reported to the affected member jurisdictions as such within 60 days of the after the uncollectible determination.

Option 2

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

A700 COMPLIANCE

A710 FOLLOW-UP VISITS

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

A720 REMINDER LETTERS

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

A730 PRESUMPTION OF FINDINGS Best practices

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