

International Registration Plan, Inc.

2011
OFFICIAL AMENDMENT TO THE
INTERNATIONAL REGISTRATION PLAN

Ballot Number: 2011.371 – IRP Audit Rewrite

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Sponsor(s): _____

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Sponsor's(s') IRP voting member notified

SECTIONS TO BE AMENDED

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

International Registration Plan, Inc.

Section 905, Rental Passenger Cars
Section 910, Rental Utility Trailers
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

International Registration Plan, Inc.

Section 302, Scope of Duties (delete)

Article 4, Registrant Responsibilities (delete)

Section 401, Adequacy of Records (delete)

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)

International Registration Plan, Inc.

Section 701, Definition and Purpose
Section 702, Records Reviews

Article 9, Summary (delete)
Section 901, Summary (delete)

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.

International Registration Plan, Inc.

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.
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.

International Registration Plan, Inc.

PROPOSED AMENDMENTS TO THE INTERNATIONAL REGISTRATION PLAN

ARTICLE II DEFINITIONS

APM

~~“APM” means the Audit Procedures Manual required to be maintained in Section 1000.~~

AUDIT

“Audit” means the ~~physical~~ examination of a Registrant’s ~~Operational~~ 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 record-keeping distance-accounting system for its Fleet. Such an examination may be of multiple Fleets for multiple years.

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. ~~Operational~~ 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 ~~4020~~ 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.

International Registration Plan, Inc.

~~IN-JURISDICTION DISTANCE~~

~~“In Jurisdiction Distance” means all of the distance operated during the Reporting Period or the distance estimated to be operated by a Fleet in a particular Member Jurisdiction for the Registration Year.~~

~~IVDR~~

~~“IVDR” means Individual Vehicle Distance Record. It is the original record generated in the course of actual Vehicle operation and is used as a source document to verify the Registrant’s reported distance. An IVDR must contain the information set forth in the APM.~~

~~Official Commentary~~

~~An IVDR need not adhere to any particular format in order to be acceptable for purposes of Audit under the Plan.~~

~~OPERATIONAL RECORDS~~

~~“Operational Records” means source documents that evidence distance traveled by a Fleet in each Member Jurisdiction, such as fuel reports, trip sheets, and driver logs, including those which may be generated through on-board recording devices and maintained electronically, as required by the APM.~~

~~“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.~~

International Registration Plan, Inc.

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 ~~in all Member Jurisdictions during the Reporting Period.~~ 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 ~~Operational~~ 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 ~~Operational~~ 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,

International Registration Plan, Inc.

- (iv) that the Applicant's federal income tax returns have been filed from an address in that Jurisdiction,
- (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 sSection 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 sSection 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.

International Registration Plan, Inc.

(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.

(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 ~~Operational~~ 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

International Registration Plan, Inc.

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 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.”

International Registration Plan, Inc.

ARTICLE X ~~OPERATIONAL~~ RECORDS AND AUDITS

1000 ~~1005~~ PRESERVATION RETENTION AND AVAILABILITY OF RECORDS

(a) ~~The Base Jurisdiction shall require a~~ A Registrant shall retain to the preserve all Operational Records on which the Registrant's application for apportioned registration is based for a period of 3 three years following the close of the Registration year to which the application pertains, and, on request, shall to make such these rRecords available for Audit examination by the Base Jurisdiction at its request.

(b) ~~Records may be kept on microfilm, microfiche, or other computerized or condensed record storage system acceptable to the Base Jurisdiction. 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

International Registration Plan, Inc.

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 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

International Registration Plan, Inc.

- (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
- (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.

International Registration Plan, Inc.

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 ~~1010~~ REGISTRANT'S FAILURE TO RETAIN OR PRODUCE INADEQUATE RECORDS; ASSESSMENT

~~The Base Jurisdiction may impose an assessment on a Registrant that fails to maintain records in accordance with the APM or that fails to provide records within 30 calendar days of the issuance of a written request by the Base Jurisdiction. Such an assessment shall be based on the Base Jurisdiction's estimate of the Registrant's true liability as determined from evidence furnished by the Registrant or available to the Base Jurisdiction from its own or other sources.~~

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

International Registration Plan, Inc.

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 ~~1015~~ FREQUENCY 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 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 ~~1015~~ FREQUENCY OF AUDITS

(~~ba~~) Each Member Jurisdiction shall conduct a number of Audits equivalent to an average of ~~3%~~ 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 ~~3%~~ three percent of the number of renewed Fleets.

(~~eb~~) 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.

(~~dc~~) For purposes of ~~this~~ 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

International Registration Plan, Inc.

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 ~~more than one~~ 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.

(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 ~~the other Member Jurisdictions participating in the Audit with adequate information concerning the Registrant.~~

(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. Upon the completion of a joint Audit, the Base Jurisdiction shall be responsible for providing Audit findings agreed upon by the participating Member Jurisdictions to all Member Jurisdictions in which the Registrant was apportioned or in which it traveled in a timely manner, for collecting and distributing Apportionable Fees adjusted pursuant to the Audit, and for resolving disagreements with the findings of the Audit.

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 ~~1020 RECORDS NOT MAINTAINED IN~~ BASE JURISDICTION AUDIT EXPENSES

If a Registrant's does not make its Operational Records available for Audit in its Base Jurisdiction and the Base Jurisdiction sends auditors beyond its borders to ~~conduct the~~

International Registration Plan, Inc.

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 ~~examination~~ 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 ~~1025~~ 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.
- (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 ~~1025~~ 1055.

1050 ~~1065~~ NETTING OF 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

International Registration Plan, Inc.

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.

~~(ab) When an Audit finds a net underpayment by the Registrant, the Base Jurisdiction shall collect the amount of the underpayment from the Registrant pursuant to the Base Jurisdiction's laws and procedures. The collection of an underpayment from the Registrant shall be governed by the laws and procedures of the Base Jurisdiction.~~

~~(bc) 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 such payment was received the collection was made.~~

~~(ed) 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.~~

~~(de) When 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 each affected the appropriate Member Jurisdiction within 30 calendar days following the transmittal period during which the overpayment was refunded to the Registrant.~~

Official Commentary

~~When, pursuant to the Base Jurisdiction Audit of a Registrant under the Plan, adjustments are made to the fees owed by the Registrant, this section requires those adjustments to be netted; that is, additional fees that may be owed by the Registrant to a Jurisdiction or Jurisdictions are to be offset by any overpayments the Registrant may have made to other Jurisdictions. Only the net amount is to be collected from the Registrant or credited or refunded to the Registrant, as the case may be.~~

~~Under subsections (d) and (f), however, netting is not to proceed if the Registrant's records are inadequate.~~

1055 1025 NOTIFICATION OF AUDIT REPORTS FINDINGS

International Registration Plan, Inc.

(a) Upon the completion of an Audit the Base Jurisdiction shall provide ~~notice of the~~ an Audit report findings to the Registrant and to all Member Jurisdictions in which the Registrant was apportioned or in which it traveled. ~~The findings shall include a determination of any Apportionable Fees owed by the Registrant, net of any Apportionable Fees due the Registrant.~~

(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 ~~1035~~ 1040 and ~~1040~~ 1065 shall begin ~~with~~ on the date on which the Base Jurisdiction sends ~~notice~~ the Audit report to the Registrant ~~and other Member Jurisdictions of the final Audit findings.~~

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 ~~1070~~ 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) each Registrant's the adjusted Apportionable Fees due to or from a each Member Jurisdiction and
- (iv) any amounts of assessment imposed under Section 1015 due to each Member Jurisdiction
- (v) the total of adjusted Apportionable Fees transmitted or due
- (vi) the total amount of assessments imposed under Section 1015 transmitted.

International Registration Plan, Inc.

(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 1035 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. ~~In the conduct of an appeal, the Base Jurisdiction shall represent affected Member Jurisdictions.~~

(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.

International Registration Plan, Inc.

1070 ~~1050~~ FINALITY OF AUDIT FINDINGS

Following the expiration of the time ~~periods~~ within which an appeal or request for reexamination may be filed under Sections ~~1035~~ 1040 and ~~1040~~ 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 ~~1000~~ 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 ~~with~~ within the text of the Plan. ~~The provisions of~~ Changes to the APM Audit Procedures Manual ~~and changes to the APM~~ must be approved ~~by a membership ballot~~ in the same way as amendments to the Plan.

ARTICLE XIII PLAN ADMINISTRATION

1355 PEER REVIEW

(a) Each Member Jurisdiction's administrative procedures and Audit program will be reviewed regularly to determine its compliance with the Plan and the APM 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 APM 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 APM 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

International Registration Plan, Inc.

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 APM 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 ~~IRP~~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.

International Registration Plan, Inc.

PROPOSED AMENDMENTS TO THE AUDIT PROCEDURES MANUAL

ARTICLE 1 INTRODUCTION

101. Purpose and Contents of the Manual

~~(a) The purpose of the Audit Procedures Manual is to establish a uniform procedure for all Member Jurisdictions to follow. This includes notifying the Registrants of an Audit, conducting the Audit, reporting the Audit, assessing shortages, granting credit, and canceling Registrants, should it become necessary.~~

~~(b) The purpose of auditing Registrants under the International Registration Plan, hereafter referred to as “the Plan”, is to protect the integrity of the Vehicle registration laws of all Member Jurisdictions and to ensure equitable treatment of all Registrants subject to the Plan. In accordance with the purpose and principles of the Plan in providing for efficient use of the Member Jurisdictions’ highway systems, it is incumbent upon each Member Jurisdiction to meet its obligations under the provisions of the Plan, i.e., proportional registration of commercial Vehicles, by insuring proper Operational Records of Registrant Total Distance operated, and official Audit of the appropriate Operational Records of all Registrants as prescribed by Article X of the Plan and the Audit Procedures Manual (APM).~~

(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 ACCOUNTING AND AUDITING STANDARDS

International Registration Plan, Inc.

201. Training and 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, as an auditor with due professional care and with an objective state of mind.

202. Professional Care

(a) For an Audit to be acceptable to all Member Jurisdictions, it must be conducted in a professional manner and the results clearly documented.

(b) Since the concept of the Plan is for the Registrants to pay fees to the various Member Jurisdictions based on the percentage of Total Distance traveled, it is obvious that an effective, uniform Audit program is essential to verify the integrity of transactions. If such a program is not established, each Member Jurisdiction will be inclined to send auditors into other Member Jurisdictions to verify the accuracy of the In Jurisdiction Distance percentages and Apportionable Fees paid, creating an undue burden on Registrants. It is, therefore, essential that the basic Audit program adopted by each Member Jurisdiction be uniform and thorough to ensure accuracy. It is each Member Jurisdiction's responsibility to conduct an accurate Audit in a professional manner and to submit a report to each Member Jurisdiction in which the Registrant paid Apportionable Fees or should have paid Apportionable Fees. Any discrepancies in Total Distance reported for Member Jurisdictions are to be reported, and the Base Jurisdiction should make a complete Audit of the registration for the Member Jurisdictions, making whatever adjustments are necessary.

2023. Study and Evaluation

For a proper Audit to be conducted, a study and evaluation of the Registrant's reporting system and internal accounting controls must be performed. It is essential that the auditor gain an understanding of the Registrant's reporting system to aid in the Audit process. Additionally, where reliance is to be placed on internal accounting controls for sampling test work and projections, the auditor must determine the reliability of the internal accounting controls and the impact of any weaknesses in the controls on sampling procedures employed in the Audit.

(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.

International Registration Plan, Inc.

(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.

2034. Adequate Planning and Supervision

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

~~A standardized Audit program (or checklist), describing the Audit procedures contained in this Audit Procedures Manual and other recommended Audit procedures, should be utilized. The use of a standardized Audit program provides for consistent application of Audit procedures. It serves as a training tool for new auditors, and facilitates the review of the Audit by the Audit supervisor. It does not, however, preclude the use of auditor judgment, when the auditor and supervisor have reason to believe that a situation warrants an adjustment to standard recommended procedures. Deviations from the standard recommended procedures should be documented and approved by the Audit supervisor.~~

~~(b) The Audit report and working papers should be reviewed and approved by an Audit supervisor. This will assure that all Audits are conducted accurately and consistently. 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.

2045. Auditor Independence

~~(a) The auditor must be free from personal and external impairments to independence. In all matters relating to the assignment, independence in mental attitude is to be maintained by the auditor. The auditor must be without bias with respect to the Registrant under Audit, since~~

International Registration Plan, Inc.

~~otherwise the auditor would lack the impartiality necessary for dependable Audit findings. 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.~~

~~(b) In order to maintain independence, auditors should not be involved with the processing of registration applications.~~

Official Commentary

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

~~A standardized Audit program (or checklist), describing the Audit procedures contained in this Audit Procedures Manual and other recommended Audit procedures, should be utilized. Each Member Jurisdiction should use an Audit program. The use of a standardized An Audit program provides for consistent application of Audit procedures. It serves as a training tool for new auditors, and facilitates the review of the Audit, by the Audit supervisor. It does not, however, An Audit program does not preclude the use of auditor judgment, when the auditor and supervisor have reason to believe that a situation warrants an adjustment to standard recommended procedures. Deviations from an Audit program are acceptable if they are reasonable given the Audit circumstances and the standard recommended procedures should must be documented in the Audit file and approved by the Audit supervisor.~~

206. Working Paper Documentation

~~(a) The Audit report shall be supported by adequate working papers. The working papers should be prepared by the auditor and reviewed/approved by an auditor supervisor. They should Working papers must support the basis for the findings and recommendations in the Audit report. Working papers should must be sufficiently detailed so that a reviewer (internal or external) knowledgeable reader can understand them without extensive oral explanations from the auditor.~~

International Registration Plan, Inc.

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

- (i) Provide the principal support for the Audit report;
- (ii) Aid in the performance of and review of Audits; and
- ~~(iii) Facilitate third party reviews;~~
- ~~(iv) Document whether Audit objectives were achieved; and~~
- ~~(viii) Document planning;~~ 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. This standard places responsibility on the Member Jurisdiction to ensure that each Audit is conducted by auditors who have the knowledge and skills necessary to conduct the Audit. In cases where the Audit process is performed by a private concern, third party or contract auditors, the Member Jurisdiction must ensure that the third party or contracted auditors meet applicable professional standards.

(b) Each Member Jurisdiction must ensure its auditors maintain proficiency in IRP auditing by providing training opportunities through internal or external training sources.

302. Auditor Responsibilities

(a) Auditors must give all Registrants and Member Jurisdictions equal and fair consideration. There must be no preferential treatment given in order to promote consistency in the application of the Plan and the Manual.

~~(b) Auditors must conduct Audits in accordance with the Audit Procedures Manual and their own jurisdiction's Audit procedures.~~

~~(c) Auditors conduct Audits on behalf of all Member Jurisdictions. Auditors must conduct Audits giving each Member Jurisdiction equal and fair consideration.~~

(db) Auditors should conduct themselves in a manner that promotes cooperation and good relations with Registrants and Member Jurisdictions.

International Registration Plan, Inc.

(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.

303. Scope of Duties

~~(a) The Base Jurisdictions are responsible for the actions of their auditors as they work within the scope of their duties. Auditors shall not have organizational restrictions that preclude them from conducting a full scope professional Audit in accordance with this manual.~~

~~(b) The auditor shall be allowed to discuss any discrepancies with the Registrant.~~

~~(c) The auditor shall be able to make recommendations to the Registrant.~~

ARTICLE 4 REGISTRANT RESPONSIBILITIES

401. Adequacy of Records

~~(a) A Registrant's distance accounting system must consistently produce the information required by the Audit Procedures Manual as necessary to evaluate the accuracy of Vehicle movement and to substantiate the Registrant's application for apportioned registration under the Plan. The Registrant's source documents must contain sufficient detail that Vehicle movement may be traced.~~

~~(b) The Registrant must maintain Operational Records that support the total In Jurisdiction Distance and Total Distance traveled everywhere. Operational Records include source documents suitable for verification of Fleet distance as reported on the Registrant's application for apportionment. An acceptable source document for verifying Fleet distance traveled is an "Individual Vehicle Distance Record" (IVDR). A standardized IVDR is suggested and~~

International Registration Plan, Inc.

encouraged, but not required. While it is desirable, the necessary information for a trip need not be contained on a single source document. IVDRs shall contain the following information:

- (i) Date of trip (starting and ending);
- (ii) Trip origin and destination;
- (iii) Route of travel (may be waived by Base Jurisdiction);
- (iv) Beginning and ending odometer or hubodometer reading of the trip (may be waived by Base Jurisdiction);
- (v) Total Distance;
- (vi) In Jurisdiction Distance; and
- (vii) Power Unit number or vehicle identification number.

(e) The Base Jurisdiction may waive either item (iii) or (iv) above, but may not waive both items (iii) and (iv). Also, a Base Jurisdiction may, in its discretion, require an IVDR to include additional information as follows:

- (i) Fleet number;
- (ii) Registrant's name;
- (iii) Trailer number; and
- (iv) Driver's signature and/or name.

402. Monthly, Quarterly, and Yearly Summaries

(a) From the information recorded on IVDRs, the Registrant must prepare and maintain:

- (i) A monthly summary that recaps In-Jurisdiction and Total Distance traveled by each Power Unit operated during the calendar month;
- (ii) A quarterly summary that recaps In-Jurisdiction and Total Distance traveled by the Fleet during each calendar quarter; and
- (iii) A summary of the quarterly recaps used in preparing the application for apportionment.

(b) Summaries are not acceptable at face value and must be supported by source documents such as IVDRs in order to be of any use during an Audit.

403. Receiving Contract

The IVDRs as mentioned can be utilized by any Registrant; however, a different situation is encountered in accumulating distance on one way vehicle Fleet Vehicles. The source documents or IVDRs on a one way Vehicle is the "receiving contract," which is the paper work completed when a one way vehicle is turned in or otherwise "received."

International Registration Plan, Inc.

404. Supporting Information for IVDR'S

The information recorded on the IVDRs must be accurate and readable. The distance figures to be entered on IVDRs can be obtained from various sources such as odometer and/or hubodometer readings, Member Jurisdiction maps, standard distances, or computer software, as long as the method used is accurate and consistent. Registrants should accumulate IVDRs and prepare monthly, quarterly and yearly distance summaries.

405. Accountable Distance Traveled

In recording the actual distance traveled on an Apportionable Vehicle, the Registrant must record all movement (interjurisdictional and intrajurisdictional) including loaded, empty, deadhead and/or bobtail distance. It shall further be the responsibility of the Registrant to record all distance traveled by Apportionable Vehicles while operating with Trip Permits.

406. Lessor Responsibility

It shall be the responsibility of the Lessor in a trip Lease situation to report all distance traveled by the Apportionable Vehicles.

407. Vehicle Allocation

Registrants in the business of leasing Vehicles are also subject to Audit; however, those Audits are based on total gross revenue generated in all Member Jurisdictions versus in jurisdiction revenue. It is from this percent factor that the Registrant determines the total number of Power Units to be registered in a Member Jurisdiction. This is commonly referred to as "Allocation".

408. Certified Average Registration Program (CARP)

Registrants in the business of Leasing utility trailers are also subject to Audit; however, those Audits are based on the Certified Average Registration Program (CARP). This is an average inventory kept on all trailers located in or passing through a Member Jurisdiction during the year. This average is then used as the number of trailers to be registered in that Member Jurisdiction for the following year.

ARTICLE 5 ON BOARD RECORDING DEVICES

501. On Board Recording Devices

International Registration Plan, Inc.

~~(a) On-board recording devices may, at the option of the Registrant, be used in lieu of or in addition to handwritten trip reports for purposes of apportioned registration record-keeping. If a Registrant exercises this option, any device or electronic system used in conjunction with a device shall meet the requirements identified in this Manual. Other equipment monitoring devices, such as those which transmit or may be interrogated as to Power Unit location or travel, may (at the option of the Registrant) be used to supplement or verify handwritten or electronically-generated trip reports.~~

~~(b) All recording devices used to generate trip reports or used in conjunction with manual systems must meet the requirements shown in Sections 504 and 505. When the on-board recording device is used in conjunction with an electronic computer system and reports are prepared on the basis of data downloaded from the recording device, the overall system must meet the requirements of Sections 504, 505, and 506.~~

~~502. Use of On-Board Recording Device Only~~

~~When the device is to be used alone, printed reports must be produced which replace handwritten trip reports. The printed trip reports shall be retained for Audit. Power Unit and Fleet summaries which show In-Jurisdiction Distance must then be prepared.~~

~~503. Use of On-Board Recording Device in Conjunction with an Electronic Computer System~~

~~(a) When the computer system is designed to produce printed trip reports, Power Unit and Fleet summaries which show In-Jurisdiction Distance must also be prepared.~~

~~(b) When the printed trip reports will not be retained for Audit, the system must have the capability of producing, upon request, the reports indicated in Section 506.~~

~~504. Minimum Device Requirements~~

~~(a) The Registrant must obtain a certificate from the manufacturer certifying that the design of the on-board recording device has been sufficiently tested to meet the requirements of this provision.~~

~~(b) The on-board recording device and associated support systems must be, to the maximum extent, practicable and tamperproof and must not permit altering of the information collected. Editing of copies of the original information collected will be allowed, but all editing must be identified, and both the edited and original data must be recorded and retained.~~

International Registration Plan, Inc.

~~(c) The on-board recording device shall warn the driver visually and/or audibly that the device has ceased to function.~~

~~(d) The device must time and date stamp all data recorded.~~

~~(e) The device must not allow data to be overwritten before the data has been extracted. The device shall warn the driver visually and/or audibly that the device's memory is full and can no longer record data.~~

~~(f) The device must automatically update a life to date odometer when the Power Unit is placed in motion, or the operator must enter the current Power Unit odometer reading when the on-board recording device is connected to the Power Unit.~~

~~(g) The device must provide a method for the driver to confirm that driver entered data is correct (e.g. a visual display of the entered data that can be reviewed and edited by the driver before the data is finally stored).~~

~~505. Data Collection~~

~~(a) To obtain the information needed to verify Fleet distance and to prepare the Individual Vehicle Distance Record (IVDR), the device must collect the following data on each trip:~~

- ~~(i) Date of trip (starting and ending);~~
- ~~(ii) Trip origin and destination (location code is acceptable);~~
- ~~(iii) Route of travel (may be waived by Base Jurisdiction);~~
- ~~(iv) Beginning and ending odometer or hubodometer reading of the trip (may be waived by Base Jurisdiction);~~
- ~~(v) Total Distance;~~
- ~~(vi) Jurisdiction Distance; and~~
- ~~(vii) Power Unit number or vehicle identification number.~~

~~(b) The Base Jurisdiction may waive either item (iii) or (iv) above, but may not waive both items (iii) and (iv). Also, the device may include, at the discretion of the Base Jurisdiction, the following additional information:~~

- ~~(i) Fleet number;~~
- ~~(ii) Registrant's name;~~
- ~~(iii) Vehicle identification numbers;~~
- ~~(iv) Driver ID or name; and~~
- ~~(v) Intermediate trip stops.~~

International Registration Plan, Inc.

506. ~~Capability of System to Produce Reports~~

~~Generally speaking, the reports referred to in this section are not prepared by the on-board recording device. Instead, these reports are prepared using an electronic computer system which accepts data from the on-board recording device. The system shall be able to produce the following reports:~~

- ~~(i) For each trip, an Individual Vehicle Distance Record (IVDR) report that includes the information required in Section 505 (Note: This report may be more than one page.);~~
- ~~(ii) A report that indicates when the on-board recording device was last calibrated and the calibration method used;~~
- ~~(iii) An exception report(s) that identifies all edited data, omissions of required data (see Section 505), system failures, non-continuous life-to-date odometer readings, travel to noncontiguous states, and trips where the location of the beginning trip is not the location of the previous trip;~~
- ~~(iv) A monthly, quarterly, and annual summary of trips by unit number showing total In-Jurisdiction Distance; and~~
- ~~(v) Monthly, quarterly, and annual trip summaries by Fleet showing the number of total In-Jurisdiction Distance.~~

507. ~~Registrant Responsibility~~

~~(a) It is the Registrant's responsibility to recalibrate the on-board recording device when tire size changes, the Power Unit drive train is modified, or any modifications are made to the Power Unit which affect the accuracy of the on-board recording device. The device must be maintained and recalibrated in accordance with the manufacturer's specifications. A record of recalibrations must be retained for the record retention period.~~

~~(b) It is the Registrant's responsibility to ensure their drivers are trained in the use of the computer system. Drivers shall be required to note any failure of the on-board recording device and prepare manual trip reports of all subsequent trip information until the device is again operational.~~

~~(c) It is the Registrant's responsibility to maintain a second copy (back-up copy) of the electronic files, either electronically or in paper form, for the Audit retention period.~~

~~(d) At the discretion of the Base Jurisdiction, Registrants may submit Operational Records for Audit to the Base Jurisdiction through electronic data transfer.~~

International Registration Plan, Inc.

~~(e) It is the Registrant's responsibility to ensure the entire record-keeping system meets the requirements of the Plan. It is suggested that the Registrant contact the Base Jurisdiction for verification of Audit compliance prior to implementation.~~

ARTICLE ~~46~~ PRELIMINARY AUDIT COMMUNICATIONS

4601. Pre-Audit ~~Contact~~ Notification

(a) At least 30 days prior to conducting the Audit, the Registrant ~~shall~~ must be contacted and advised ~~that~~ an Audit is to be conducted of ~~Operational~~ Records substantiating distance reported on the apportioned registration application(s). Through the initial or subsequent ~~pre-audit~~ contacts, the Registrant ~~should~~ must be advised of the Registration Year(s) to be audited, the Reporting Period, the type of ~~Operational~~ Records to be audited, ~~the person(s) conducting the Audit~~, and the proposed Audit commencement start date. ~~The pre-audit contacts will provide the Registrant the opportunity to make the required Operational Records available.~~

(b) ~~For documentation purposes and to avoid misunderstanding, any pre-audit correspondence~~ All Audit communication, both written and oral, must be documented in and documentation of pre-audit contact shall be incorporated into the Audit file.

(c) ~~For just cause, The Base Jurisdiction may waive notification requirements may be waived with agreement from the Registrant. It is suggested that the auditor obtain an agreement to waive notification requirements from the Registrant prior to conducting an Audit. The Audit may be postponed for just cause. Any waiver of notification requirements or postponement must be documented in the Audit file.~~

4602. ~~Initial Audit~~ Opening Conference

A documented initial Audit opening conference should be held with the Registrant to discuss the Registrant's operations, and record-keeping distance accounting system, Audit procedures, ~~Operational~~ Records to be examined, sample period, and sampling procedures, etc. ~~Open communication between the auditor and Registrant is desirable. If the conference is held, the Audit file must contain documentation of the meeting and must include date, participants and details of the meeting.~~

4603. Request for ~~Operational~~ Records

(a) ~~During the preliminary phase of the Audit, t~~The auditor ~~will have made a~~ must request Records for IVDR's and distance summaries that support the apportioned registration application as filed. ~~Operational Records must be adequate and complete for each Vehicle of the Fleet being~~

International Registration Plan, Inc.

~~audited. If the Operational Records are not made available, or if the records made available are inadequate for Audit purposes, an assessment of liability may be imposed in accordance with Article X of the Plan. If an estimate of the Registrant's true liability cannot be determined, the Registrant may be assessed 100% of the original Apportionable Fees for the Base Jurisdiction. Any credits calculated for Member Jurisdictions which are caused by the inadequacy of the Operational Records will not be reflected in the fees netted under Article X of the Plan.~~

~~(b) The Audit file shall must include documentation of all requests for Operational Records. in cases where adequate Operational Records were not provided subsequent to request. The Audit file shall also include documentation regarding the nature of estimate procedures employed when an assessment of liability is imposed.~~

801404. Exit Conference

~~(a) Unless it is not feasible, a An documented exit conference shall 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: Included in the exit conference discussion is~~

~~(i) aAn overview of the post Audit process, including to whom the final Audit report should be addressed;~~

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

~~(b) If it is not feasible for an exit conference is not feasible to take place, the Audit file shall must document sufficient the reasons for it not taking place.~~

~~(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 ~~57~~

AUDIT PROCEDURES AND DOCUMENTATION

7501. ~~Initial~~ Preliminary Audit Procedures

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

International Registration Plan, Inc.

~~(ab) It is suggested that the auditor determine if the Registrant was previously audited. If a previous Audit was conducted, any findings of non-compliance should be documented in the Audit file.~~

~~(bc) The auditor should must review the Registrant's registration files to identify, and document in the Audit file, the population of Vehicles in the Registration Year and in the Reporting Period that pertaining to the Fleet subject to Audit. The auditor should then must either:~~

- ~~(i) list the Vehicles to be audited, indicating at least:~~
- ~~(1) equipment number;~~
 - ~~(2) unit weight; ~~make of Vehicle,~~~~
 - ~~(3) Vehicle identification number; and~~
 - ~~(4) inclusive months each Vehicle was in the Fleet; or~~

~~(ii) document using an alternative method, of identifying the Vehicles (and the time periods they were registered).~~

~~The auditor should must use the Vehicle listings, or alternative method documented, to select Vehicles for Audit with respect to sampling. distance records. The Vehicle listings or alternative method of identifying the Vehicles shall be included as a work paper in the Audit file.~~

~~(ed) It is suggested that ~~€~~The auditor must apply ~~conduct an analytical procedures review of to~~ the Registrant's application subject to Audit, ~~to become more familiar with the Registrant's operations.~~ As a part of the analytical procedures review, the auditor should summarize application information, note unusual trends or variances, and draw conclusions, ~~and include~~ ~~€~~The analytical procedures review must be documented ~~ation~~ in the Audit file.~~

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

7502. 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. ~~study and evaluation of the Registrant's internal accounting control system has three identifiable phases:~~~~

- ~~(i) — review and documentation;~~
- ~~(ii) — tests of compliance; and~~
- ~~(iii) — report on weaknesses.~~

International Registration Plan, Inc.

(b) ~~The Auditor must~~ Review and documentation includes the following steps:

- (i) determine if there have been changes in the Registrant's distance accounting procedures or operations during the Audit period;
- (ii) identify the ~~Operational~~ Records that the Registrant maintains to support the registration application; ~~and~~
- (iii) review the ~~Registrant's supporting documentation~~ Records and 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 ~~should~~ must document ~~his/her understanding of~~ the Registrant's distance accounting system. The auditor may use a questionnaire, flowchart or narrative by completing an internal control questionnaire designed for this purpose or by diagramming or describing the flow of transactions in flowchart or narrative form.

The auditor should reconcile the period's distance summaries. Differences must be documented and included in the Audit file. It is suggested that a sample copy An example of the Registrant's ~~reports, trip records or other documents~~ Records examined by the auditor should be included in the Audit file.

(c) ~~To clarify understanding gained from performing these steps, t~~ The auditor may should perform a Walk-through test of the distance accounting system ~~select a few transactions of each transaction type and trace them through the accounting system from initiation to ultimate recording.~~

(d) ~~By studying the internal control procedures, the auditor can identify potential weaknesses in the internal accounting control system.~~

(ed) ~~The Auditor must~~ T ~~ests of compliance~~ the effectiveness of internal controls are performed to determine the effectiveness of the internal controls. Based on the result of these compliance tests, the auditor should makes 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. ~~If reliance on the internal controls is high, then the substantive tests to be performed may be reduced. Conversely, if reliance on the internal controls is low, then the substantive tests to be performed may be increased.~~

(f) ~~The nature of the review of the system and whether tests of compliance are made are matters of the auditor's judgment.~~

International Registration Plan, Inc.

(ge) Strengths and Weaknesses identified in the Registrant's internal control distance accounting system shall must be reported to the Registrant and 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
- the auditor has determined that it is too costly to study the internal controls of the Registrant.

7503. Sampling and Extrapolation Procedures

(a) After completing the review of internal controls, †The auditor should discuss with the Registrant the proposed sample periods, sample Vehicles, and Operational Records to be selected for Audit with the Registrant. At least Source documents/IVDR's and distance summaries for no less than three representative months of the Reporting Period for the Registration Year being audited will should be selected for Audit with respect to Jurisdictional distance and other attributes required by Article IV of the APM. After the auditor reconciles the distance summary (ies), differences should be summarized and included as a part of the Audit file. Generally, Audits are to be conducted on a sampling basis. The auditor may choose from a variety of sampling methods.

However, a complete Audit of the Registrant's distance records for the twelve month period or actual months of operation may be necessary if tests of internal controls reveal major weaknesses in the Registrant's distance accounting reporting system, sampling may not be

International Registration Plan, Inc.

~~possible or the size of the sample may have to be expanded or if there is an absence of distance summaries.~~

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

~~(c) Documentation such as source documents/IVDR's and distance summaries odometer and hubodometer readings, and other Operational Records used by a Registrant to substantiate Total Distance traveled, must be considered by an auditor in determining the acceptability of the Registrant's reporting system. In the event if an auditor is unable to determine any reasonable a method of to assigning a portion of the unreported distance traveled by a Registrant, such distance traveled shall should be prorated assigned to Member Jurisdictions on the basis of based on the audited distance in each Member Jurisdiction's audited Jurisdiction Distance. Allocation of such distance traveled must not be done in such a way as to unjustifiably increase the In-Jurisdiction Distance percentage of the Base Jurisdiction conducting the Audit.~~

~~(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. Before making projections to the Registrant's distance per summary or application, the suitability of the use of the distance per summaries or application for projection purposes shall be ascertained. The auditor must determine whether to extrapolate to the distance per summaries or application. It is generally preferable to project extrapolate to summary distance (corrected as necessary) to determine the audited distances than to application distance. Differences between the distance per summary and distance per application should be investigated to determine their cause. Also, the auditor shall make a determination as to whether the distance per summary or application includes only the operations of Apportionable Vehicles during the Reporting Period (Section 701(b)). The auditor shall 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.~~

7504. Estimated Distance Audit Procedures

~~(a) When a Registrant is allowed to file an apportioned registration application is filed for a new Fleet and is based solely on Estimated Distance traveled, because no apportioned operations occurred during the Reporting Period, that distance may not be audited, as to accuracy of distance traveled for the first Registration Year (but the Registrant may be contacted to ensure proper record maintenance) in accordance with Article IV of the Plan.~~

International Registration Plan, Inc.

(b) ~~If a Registrant reports Estimated Distance in for a Member Jurisdiction Registrant is granted by the Base Jurisdiction, and it is later discovered through Audit that actual distance from apportioned operations was traveled in the Estimated Distance Member Jurisdiction, the auditor should may convert the Estimated Distance to actual distance and calculate fees, to ensure proper fee payment in accordance with Article IV Section 405 of the Plan.~~

(c) ~~The Registrant will be subject to Audit on actual distance traveled during the Reporting Period in which actual distance was traveled, (as defined in Article IV of the Plan) which corresponds to the Registration Year In the absence of circumstances described in subsections (a) and (b), Estimated Distances on renewal applications should be accepted in the Audit.~~

7505. 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 ~~68~~ COMPLETION AND AUDIT REPORTING PROCEDURES

International Registration Plan, Inc.

801. ~~Exit Conference~~

~~Unless it is not feasible, a documented exit conference shall be held with the Registrant to review Audit issues and preliminary findings. Included in the exit conference discussion is an overview of the post Audit process, including to whom the final Audit report should be addressed, reporting procedures, rights of appeal, and any recommendations for improvement of the Registrant's system. If it is not feasible for an exit conference to take place, the Audit file shall document sufficient reasons for it not taking place.~~

86012. Registrant Audit Report

(a) ~~An complete 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 the Audit report issued to the Registrant shall must be kept in the Audit file. The ~~Registrant~~ Audit Report shall must contain, ~~but not be limited to,~~ the following ~~summary~~ information:~~

- ~~(i) Name and address of Registrant;~~
- ~~(ii) Account number and Fleet number;~~
- ~~(iii) Registration Year(s) audited;~~
- ~~(iv) Distance traveled and percent as originally filed;~~
- ~~(v) Distance traveled and percent as a result of Audit;~~
- ~~(vi) Amount of percent factor change;~~
- ~~(vii) Net fees due (or credit) for each Member Jurisdiction;~~
- ~~(viii) Remarks, recommendations, observations, and findings which include a description of the types of Operational Records audited and the Audit techniques employed;~~
- ~~(ix) Identification of any Power Units removed from the Fleet which have full plate fees assessed in the Audit; and~~
- ~~(x) Date of issuance of the report and the name of the auditor(s);~~

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

International Registration Plan, Inc.

- (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
- (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

International Registration Plan, Inc.

Summary:

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

~~(b) The Audit report must contain enough information, including detailed schedules, for the Registrant to verify adjustments made. The Audit report must also contain a statement on whether the Registrant's distance accounting system is adequate or inadequate and reason why, as reflected by the consistency in which the Registrant's distance accounting system meets acceptable criteria as established in the Audit Procedures Manual.~~

(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

~~803. Interjurisdictional Audit Report~~

~~(a) The Audit file (or other record maintained separately) shall include evidence that timely notification to other Member Jurisdictions was given. A copy of the Interjurisdictional Audit Report shall be kept in the audit file.~~

~~(b) The Interjurisdictional Audit Report shall contain, but not be limited to, the following information:~~

~~(i) Name of Base Jurisdiction;~~

~~(ii) Name and address of Registrant;~~

~~(iii) Account number;~~

~~(iv) Registration Year(s) audited;~~

~~(v) Number Apportionable Vehicles;~~

~~(vi) Reported Jurisdiction Distance, In Jurisdiction Distance percentages, and Member's Apportionable Fees;~~

~~(vii) Audited Jurisdiction Distance, In Jurisdiction Distance percentages, and Member's Apportionable Fees by jurisdiction;~~

International Registration Plan, Inc.

~~(viii) A brief narrative of the Audit procedures employed, the Audit findings, and any pertinent information the auditor feels is needed to relay to affected Member Jurisdictions;~~

~~(ix) Date of issuance of the report and the name of the auditor(s); and~~

~~(x) A statement on whether the Registrant's distance accounting system is adequate or inadequate and reason why, as reflected by the consistency in which the Registrant's distance accounting system meets acceptable criteria as established in the Audit Procedures Manual.~~

~~(c) It shall be the responsibility of all Member Jurisdictions to provide current audit transmittal contact information (including email address) to the Repository.~~

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.

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;

International Registration Plan, Inc.

- (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.

ARTICLE 9 SUMMARY

901. Summary

~~(a) This Audit Procedures Manual provides uniform Audit procedures for conducting an audit that will be acceptable to both Member Jurisdictions and industry. The procedures contained herein will be helpful to any jurisdiction in setting up an Audit program as well as giving assistance to a Registrant on keeping acceptable records in support of registration applications. The main theme involved in developing uniform Audit procedures relates to the necessity of the Member Jurisdictions to have a viable Audit program and to make the Registrant aware of its responsibility in maintaining accurate records.~~

~~(b) The Registrant must maintain and make available adequate records to support the apportioned registration application; otherwise, the privilege to apportion can be denied.~~

~~(c) Any Registrant failing to maintain adequate records from which true liability can be determined is subject to an estimated fee assessment, 100% fee assessment to the Base Jurisdiction, the application of penalty as prescribed by the laws of the Base Jurisdiction, and/or the cancellation of registration.~~

International Registration Plan, Inc.

APPENDIX A GLOSSARY

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.

Internal control – The process designed, implemented and maintained by those charged with governance, management and other personnel to provide reasonable assurance about the

International Registration Plan, Inc.

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).

International Registration Plan, Inc.

¹The 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 #:

City

Fleet #

Zip

Fed DOT#

Registrant Phone:

Lead Auditor:

Registrant Rep:

Registration Year(s)

Number of Vehicles

Audited:

Apportioned:

Type of Operation

Commodity Class

International Registration Plan, Inc.

- | | | |
|---|--|---|
| <input type="checkbox"/> Common Carrier | <input type="checkbox"/> All | <input type="checkbox"/> Passengers |
| <input type="checkbox"/> Contract Carrier | <input type="checkbox"/> Exempt | <input type="checkbox"/> Construction |
| <input type="checkbox"/> For Hire | <input type="checkbox"/> Farm | <input type="checkbox"/> Oil – Gas Services |
| <input type="checkbox"/> For Hire Exempt | <input type="checkbox"/> Household Goods | <input type="checkbox"/> Other: |
| <input type="checkbox"/> For Hire Rental/Leasing Co | <input type="checkbox"/> Logs | |
| <input type="checkbox"/> Private | <input type="checkbox"/> Minerals | |

RECORDS EVALUATION

Source Documents Maintained in Support of Distance:

- | | | |
|--|---|--|
| <input type="checkbox"/> Driver Trip Reports | <input type="checkbox"/> Driver Logs | <input type="checkbox"/> Receiving Contracts |
| <input type="checkbox"/> Driver Pay Records | <input type="checkbox"/> Freight Bills or Manifests | <input type="checkbox"/> Other: |

Items Reflected in Distance Source Documents Presented for Examination:

- | | | |
|---|--|---------------------------------------|
| <input type="checkbox"/> Date of Trip (Begin & End) | <input type="checkbox"/> Total Trip Distance | <input type="checkbox"/> Carrier Name |
| <input type="checkbox"/> Routes of Travel | <input type="checkbox"/> Trip Origin and Destination | <input type="checkbox"/> Fleet Number |
| <input type="checkbox"/> Begin and End Odometer Reading | <input type="checkbox"/> Vehicle Unit Number | <input type="checkbox"/> Driver Name |
| <input type="checkbox"/> Jurisdiction Crossing | <input type="checkbox"/> Distance by Jurisdiction | <input type="checkbox"/> Other: |

Sources Used by Carrier to Determine Distance:

- | | | |
|---|--|---------------------------------|
| <input type="checkbox"/> Odometer Readings | <input type="checkbox"/> Standard Distance Guide | <input type="checkbox"/> Other: |
| <input type="checkbox"/> Hubometer Readings | <input type="checkbox"/> Distance Software | |
| <input type="checkbox"/> State Maps | <input type="checkbox"/> Estimated | |

Summaries Maintained in Support of Distance:

- | | | |
|---|---|--|
| <input type="checkbox"/> Monthly Summaries by | <input type="checkbox"/> Quarterly Summaries by Vehicle | <input type="checkbox"/> Annual Summaries by Vehicle |
|---|---|--|

- | | | |
|---|---|--|
| <input type="checkbox"/> Monthly Summaries by | <input type="checkbox"/> Quarterly Summaries by Fleet | <input type="checkbox"/> Annual Summaries by Fleet |
|---|---|--|

International Registration Plan, Inc.

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

- Adequate Inadequate

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:

International Registration Plan, Inc.

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

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

International Registration Plan, Inc.

- 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

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,

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

International Registration Plan, Inc.
