



IFTA Audit Manual Review  
Dawn Lietz (NV) AC Chair

IFTA IRP Audit Workshop  
San Antonio, TX  
January 28, 2013

## Audit Committee Members

Dawn Lietz – NV (Chair)	Jeff Hood – IN (Vice-chair)
Tony Dewell (BC) '08	Dave Nicholson* (OK) '09
Bob Schwab (MO) '09	Diana Kay (FL) '10
Kristie Zanis (NH) '12	Stacey Hammock (WY) '11
Don Williams (ID) '12	Jimmy Tompkins (AL) '12
Robert Gattinella (RI) '12	

AnnMarie Chamberlain (MA) – Ex-officio

\*Dave Nicholson has been nominated to Vice Chair. His term begins on March 1, 2013 and Jeff will become the Audit Committee Chair.

## Charge from Board RE: P600

Review survey/recommendations from ITAC Committee and provide the Board with any recommendations for change.

Determine feasibility of developing minimum requirements for electronic submission of audits, and if possible, develop same.

Develop criteria so jurisdictions have necessary audit evidence when electronic technology is utilized

## P600 – Audit Committee Review

Created a sub-committee to review and respond to the request.

- Dawn Lietz; Bob Schwab; Diana Kay; Dave Nicholson
  - Note: Hoa Quach and Jeff Hood (advisors)
- Changes from IRP Rewrite used as a guide to the IFTA language.
- Recognized need to consolidate P500 and P600 due to conflicting record keeping requirements

## Audit Manual Review

Created a sub-committee in March 2011 to review make recommendations on changes to the Audit Manual.

- Dan Young; Gene Hall; Dave Nicholson; Diana Kay; Tony Dewell

Monthly updates provided to entire Committee

Periodic teleconferences to work through proposed changes

Recommendation to Board (April 2012) to consolidate with P600 changes

## P500/600/Audit Manual Consolidation

Expanded scope to add changes in Audit Manual and Agreement where references to the Procedures Manual were in conflict

Due to extensive cross-over language and impact recommend moving toward development of a single ballot

Provided all 3 documents to stakeholders as a survey for comment.

## Comment Period (Survey)

- AL      AB      AZ      CT      IL
- IN      KS      KY      MA      MI
- MN      MS      MT      NE      NV
- NM      OK      ON      OR      SD
- TX      UT      WA      WI      ATA
- IAC

- 24 Jurisdictions
- 2 Industry Groups

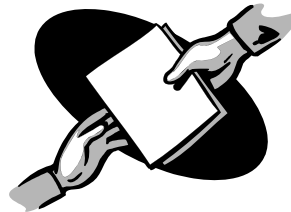


## And the Survey Says....

### ■ Articles of Agreement:

#### – Comments:

- R1010.200
- R1210.100
  - Requires use of P540 (4 MPG/1.7 KPL)
  - Use of 4 MPG eliminates states flexibility of Industry Avg
- R1210.200
  - What is an “insufficient records notice”
  - Concern with combining tax return with audit notice.
- R1210.300



## And the Survey Says....

### ■ Procedures Manual:

– Consolidation of P500 and P600



– Comments: P510

▪ .100

– Add back period covered by waiver

▪ .200

– Add back extension until records are provided

▪ .300 –

– "...must send" language

## And the Survey Says....

### ■ Procedures Manual:

– Comments: P520

– .100

▪ Term "Be conclusive" is contradictory

– .200

▪ Uncertain how/when to apply P540

– .300

▪ Add "are accessible" or "as approved"

– .400

▪ Add "distance software program" language



## And the Survey Says....

### ■ Procedures Manual:

- Comments: P530
- .100; .300; .400 – No changes recommended
- .200
  - Add “but not limited to”
  - .010 – recommend capture “goal” not minutes
  - .015 – “Unsure” what this means
  - .020 – “...but must not exceed” not necessary
- .500
  - Specify “calendar year” instead of 4-quarters



## And the Survey Says....

### ■ Procedures Manual:

- Comments: P540
- “No auditor discretion”
- “Reduces the natural ability of the auditor to use judgment”



## And the Survey Says....

- Procedures Manual:
  - Comments: P550
    - All comments were supportive



## And the Survey Says....

- Audit Manual:
  - Several jurisdictions stated prefer to incorporate existing IRP language where possible
  
  - Overall, comments were positive and constructive



## And the Survey Says....

### ■ Audit Manual:

#### – Comments: A100

- No definition for may, should
- Provides for extenuating circumstances to prevail on mandates such as 3% audit requirement.



## And the Survey Says....

### ■ Audit Manual:

#### – Comments: A200 General Standards

- 210.100 Proficiency and Due Prof Care
  - Interferes with States sovereign rights
- 210.200 Auditor Independence
- 210.300 Planning and Supervision
- 220 - Auditor Qualifications & Responsibilities
- 230 – Audit Program



## And the Survey Says....

### ■ Audit Manual:

#### – Comments: A300 Jurisdiction Req.

##### ■ 310.300

- Insert “Calendar” to require 4 calendar quarters.
- Should not allow for audits less than 4 quarters
- Could be abused by a jurisdiction trying to meet numbers

##### ■ 320 Selection of Audits

- Numbering change only.



## And the Survey Says....

### ■ Audit Manual:

#### – Comments: A400 General Guidelines

##### – 420.100.005

- Clarify meaning of “Licensee’s business and reporting history”

##### – 420.200.005

- Should this be removed since it is not required?

##### – 420.200.020

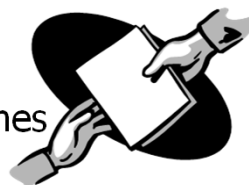
- Change “may” to “will” require re-computation



## And the Survey Says....

### ■ Audit Manual:

- Comments: A400 General Guidelines
- 430.400 – Sampling
  - Recommend adding back signed agreement
  
- 440 Verification of Licensee Records
  - No recommendations



## And the Survey Says...

### ■ Audit Manual:

- Comments: A450 Alternate Estimations
  - Recommend definition of "sufficient" and "appropriate"
  - What is "An alternative estimation"
  
- 450.100 MPG/KPL Estimation
  - Recommend "adjustment"



## And the Survey Says....

### ■ Audit Manual:

#### – Comments: A500 The Audit Process

##### ■ A510

- “must” interferes with jurisdictional laws
- should be up to the base jurisdiction to decide how soon
- 510.100 – change to should
- 510.200 - remove

##### ■ A520 – Opening Conference

- Ballot 8-2000 clarified opening conferences
- Recommend adding language that allows for more than face-to-face conference.



## And the Survey Says....

### ■ Audit Manual:

#### – Comments: A530 Evaluation of Internal Controls

##### ■ 530.100.035

- Too ambiguous – PCRC scrutiny

##### ■ 530.200.005

- “Study and evaluate” missing

##### ■ 530.200.010

- Shifts burden of proof



## And the Survey Says....

### ■ Audit Manual:

#### – Comments: A540 Closing Conference

##### ■ A540

- Make consistent with A520
- Recommend adding language that allows for more than face-to-face conference.



## And the Survey Says....

### ■ Audit Manual:

#### – Comments: A550 Audit Reports

- Should allow for electronic transmission
- Break into two sections: Narrative/Schedules
- Separate deficiencies, recommendations, etc (not necessary on no-change audits)



## And the Survey Says....



### ■ Audit Manual:

- Comments: A560 Audit File Documentation
  - .100, .005, .015
    - .100 Did not like the word justify
    - .005 wanted clarification on sample tests
    - .015 Did not like the word “imputed”
  - .200
    - Requirements of no value - Remove
  - .300
    - Should not be required to provide examples unless a working paper.

## And the Survey Says....



### ■ Additional General Comments:

- Do not rush to get through
- Use IRP language whenever possible
- Expand process to include other stakeholders
- Broader (expand) vision
- Use IRP language for substantive areas that IFTA shares with IRP
- Avoid prescriptive language

## And the Survey Says....



- Additional General Comments:
  - Make language clear and consistent to foster compliance and uniformity
  - Establish “Principle Standards” of auditing rather than “Rules based”
  - Avoid ambiguous language
  - Keep Distance Recordkeeping the same as IRP

## And the Survey Says....



- Additional General Comments:
  - Combine the proposed language of A450, P520 and P540 to establish a “Licensee Records Evaluation” Section.
    - Recommended to be placed in the Audit Manual

## And the Survey Says....



- Another Consideration for A310.300:
  - .300 A member jurisdiction may conduct an audit covering less than 4 consecutive quarters when:
    - The licensee represents a financial or other risk; and
      - The licensee was referred for audit by:
        - Law Enforcement; Failure to file a return; Fuel Use Tax deficiency; Referral from other member jurisdiction; Referral from other federal, state, local provincial government agency; anonymous complaint

## Where do we go from here?



## AC Committee Recommendations

- Seek permission from IFTA Board of Trustees to form a Working Group with participation by the Standing Committees impacted by language changes.
- October 2012 – IFTA Board granted permission with the Audit Committee leading the Working Group.

## Procedures and Audit Manual Working Group Participants

- Dawn Lietz – AC (NV)
- Jeff Hood – AC (IN)
- Dave Nicholson – AC (OK)
- James Sheets – ITAC (OTS)
- Bob Pitcher – IAC (ATA)
- Gary Bennion – IAC (Conway)
- Trina Kluever Pauli – APC (WI)
- Lorne Bay – PCRC (PEI)

## Contact Information:

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Questions?

Thank You!!!