

Ballot 371
IRP Audit Rewrite

A Change is Coming!



IRP Audit Rewrite

- **Effective Date – July 01, 2013**
- What's the hurry? We have plenty of time:
 - Some changes will require a different mindset
 - Some changes will require computer programming
 - Both elements require TIME.

**CHANGES MUST BE
IMPLEMENTED BY JULY 01, 2013!**



Article II: Definitions (deleted)

- APM - currently used to refer to the IRP Audit Procedures Manual.
- In-jurisdiction distance –such distance is already included in the “total” distance definition.
- IVDR – tends to support a standard record and/or format, which is becoming obsolete in our ever expanding electronic age.



Article II: Definitions (amended)

- 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.

- Established Place of Business (reference/codification adjustments)
- Operational Records (throughout the Plan/APM such references have been changed to 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.

- Total Distance



Article II: Definitions (new)

- **Records Review:** 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.

NOT required and
NOT limited to new accounts.



Article IX: Rental Vehicle Registration

- Section 905 – Rental Passenger Cars
- Section 910 – Rental Utility Trailers
- Section 915 – One-Way Vehicle

Instructional value. Language (with minor changes) formerly reflected in Article 4 of the Audit Procedures Manual moved to Official Commentary. For example, the addition to 915 states:

“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”.



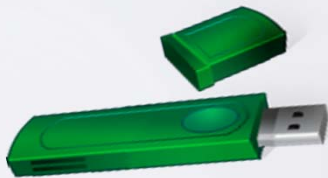
Article X: Records and Audit

- “Operational” formerly in the title
- The bulk of the changes being implemented affect this Article and the Audit Procedures Manual. Principle among the changes, the content of Articles 4 & 5 was moved from the Manual to the Plan.



1005 – Adequacy of Records (new)

- A) A registrant's records shall be adequate -
- Base can verify reported distances (sufficient), and
 - Evaluate the accuracy of the system (appropriate)
- B) If records meet adequacy criterion they –
- May be produced through any means, and
 - Retained in any format or medium that is both available to the registrant and accessible by the base



1010 – Contents of Records (new)

- Formerly Articles 4 & 5 of the APM
- Explains what constitutes adequate records
 - a) Records not produced by vehicle-tracking system
 - Beginning/ending trip date
 - Origin/destination
 - Route traveled
 - Beginning/ending odometer, hub, ECM, etc.
 - Total distance
 - Jurisdictional distance
 - Vehicle identifier



1010 – Contents of Records (cont'd)

- b) Requirements for records produced wholly or partly by a vehicle-tracking system (including GPS)
 - Original GPS or other location data for vehicle
 - Date and time of each reading (ping, etc.)
 - Location of each reading
 - Beginning/ending odometer, hub, ECM, etc.
 - Calculated distance between each GPS or other reading
 - Route traveled
 - Total distance
 - Jurisdictional distance
 - Vehicle identifier

- c) Summaries
 - Monthly by vehicle and fleet, per jurisdiction
 - Quarterly by fleet, per jurisdiction
 - Annually by fleet, per jurisdiction



1010 – Contents of Records (cont'd)

- Official Commentary

- Section intended to provide guidance on record content
- Basic criterion: Do the records allow the auditor to conduct an audit?
- If they contain all required elements, they are adequate; however, they may still prove inaccurate or inappropriately utilized by the registrant
- Records not containing all elements in the section, depending on the nature of the records and the registrant's operations, may still be **FULLY ADEQUATE FOR AN AUDIT**



1015 – Inadequate Records; Assessment

Discussion of Inadequate

- Consider your current practices
- Consider your jurisdictions future application of the assessment
- Now lets open this up to discussion



1015 – Inadequate Records; Assessment

- Eliminates current processes:
 - Full fee assessments
 - Credit denials
- Used when:
 - Records for the fleet as a whole do not meet the criterion in 1005(a), or
 - Registrant produces no records within 30 calendar days of written request
- Assessment:
 - 20% of apportionable fees paid (1st)
 - 50% of apportionable fees paid (2nd)
 - 100% of apportionable fees paid (3rd & subsequent)



1015 – Inadequate Records; Assessment

MVA-R2(a)
05/02

Name of Registrant: _____ Company Name: _____ Account Number: _____
 Percentages Applicable to License Year: _____ through _____ Renewal Month: _____
 Schedule of Miles for Mileage Period: _____ through _____ License Year: _____
 Number of Vehicles Apportioned: _____ 5 _____

**	STATE	ORIGINAL MILEAGE	AUDIT MILEAGE	ORIGINAL PERCENT	AUDIT PERCENT	PERCENT INCREASE	PERCENT DECREASE	FEES PAID	FEES OR (REFUND) DUE
	AL	234,607	234,607	40.70657%	40.70657%	0.00000%	0.00000%	\$6,917.12	\$1,383.42
E2	AB	165	165	0.02328%	0.02328%	0.00000%	0.00000%	\$422.15	\$84.43
	AK								
E2	AR	12,905	12,905	1.82079%	1.82079%	0.00000%	0.00000%	\$326.00	\$65.20
E2	AZ	12,615	12,615	1.77988%	1.77988%	0.00000%	0.00000%	\$784.00	\$156.80
E2	BC	15	15	0.00212%	0.00212%	0.00000%	0.00000%	\$152.00	\$30.40
E2	CA	14,455	14,455	2.03949%	2.03949%	0.00000%	0.00000%	\$468.00	\$93.60
E2	CO	2,395	2,395	0.33792%	0.33792%	0.00000%	0.00000%	\$225.00	\$45.00
E2	CT	1,255	1,255	0.17707%	0.17707%	0.00000%	0.00000%	\$198.00	\$39.60
E2	DC	65	65	0.00917%	0.00917%	0.00000%	0.00000%	\$42.00	\$8.40
E2	DE	420	420	0.05926%	0.05926%	0.00000%	0.00000%	\$365.00	\$73.00
	FL	8,623	8,623	1.49617%	1.49617%	0.00000%	0.00000%	\$413.03	\$82.61
	GA	3,470	3,470	0.60208%	0.60208%	0.00000%	0.00000%	\$90.96	\$18.19
E2	IA	1,850	1,850	0.26102%	0.26102%	0.00000%	0.00000%	\$85.00	\$17.00
E2	ID	1,940	1,940	0.27372%	0.27372%	0.00000%	0.00000%	\$49.00	\$9.80
E2	IL	9,920	9,920	1.39963%	1.39963%	0.00000%	0.00000%	\$286.00	\$57.20
	IN	10,075	10,075	1.42150%	1.42150%	0.00000%	0.00000%	\$450.00	\$90.00
E2	KS	2,120	2,120	0.29912%	0.29912%	0.00000%	0.00000%	\$76.00	\$15.20
	KY	623	623	0.10810%	0.10810%	0.00000%	0.00000%	\$35.25	\$7.05
	LA	32,094	32,094	5.56862%	5.56862%	0.00000%	0.00000%	\$584.46	\$116.89
E2	MA	875	875	0.12346%	0.12346%	0.00000%	0.00000%	\$19.52	\$3.90
	MB								
E2	MD	3,060	3,060	0.43174%	0.43174%	0.00000%	0.00000%	\$212.12	\$42.42
E2	ME	215	215	0.03033%	0.03033%	0.00000%	0.00000%	\$76.42	\$15.28
E2	MI	1,980	1,980	0.27936%	0.27936%	0.00000%	0.00000%	\$111.13	\$22.23
E2	MN	1,140	1,140	0.16084%	0.16084%	0.00000%	0.00000%	\$123.65	\$24.73
E2	MO	7,645	7,645	1.07865%	1.07865%	0.00000%	0.00000%	\$200.12	\$40.02
	MS	73,022	73,022	12.67002%	12.67002%	0.00000%	0.00000%	\$4,311.86	\$862.37
E2	MT	870	870	0.12275%	0.12275%	0.00000%	0.00000%	\$52.67	\$10.53
	MX								
	NB								
	NC	1,562	1,562	0.27102%	0.27102%	0.00000%	0.00000%	\$69.66	\$13.93
E2	ND	265	265	0.03739%	0.03739%	0.00000%	0.00000%	\$67.42	\$13.48
E2	NE	2,525	2,525	0.35626%	0.35626%	0.00000%	0.00000%	\$135.42	\$27.08
	NF								
E2	NH	185	185	0.02610%	0.02610%	0.00000%	0.00000%	\$101.12	\$20.22
E2	NJ	2,300	2,300	0.32451%	0.32451%	0.00000%	0.00000%	\$162.23	\$32.45
E2	NM	8,050	8,050	1.13579%	1.13579%	0.00000%	0.00000%	\$576.42	\$115.28



1025 – Frequency of Audits

Formerly 1015 – changed due to the additions and restructuring of Article X.

One major change: Jurisdictions adopting formal procedures to comply with newly established “Records Review” process may:

- Substitute 3 such reviews for 1 audit
- Account for as much as 25% of the 3% audit requirement with such substitutions.



1025 – Frequency of Audits

Example using records reviews for 2014 audit requirement:

5,400 (2013 renewals)

x .03

162 audits required

162 audits required

x .25 maximum allowed

41 allowable audit credit

165 records reviews (2014)

/ 3

55 potential audit count

162 audits required

- 41 reviews credit

121 audits to conduct



Manual Article 7 – Records Review

- A thorough evaluation of a registrant's distance accounting system & internal controls to ensure Plan compliance
- The purpose of such reviews is to mitigate potential record keeping compliance issues
- Records Reviews vs. Audits:
 - Focuses on adequacy of internal controls & compliance of the distance accounting system
 - May be limited in scope to less than a full reporting period
 - May be conducted prior to the first renewal
 - No fee adjustments



Manual Article 7 – Records Review

- A Records Review Program MUST:
 - Comply with Articles 2 and 3 of the Manual
 - Document the distance accounting system, contents of the source documents and registrant's source for determining distance
 - Assess and document internal controls
 - Determine/document the adequacy of records; identify specific deficiencies
 - Provide written report to registrant citing any deficiencies
 - Document all contacts with the registrant
 - Retain all reviews according to the prevailing peer review audit records retention requirements
- Registrant follow-up contacts strongly recommended if any non-compliance issues are noted.
- Notwithstanding section 204, reviews may be conducted by personnel processing applications if all other provisions of the Manual are met.



Audit Procedures Manual

- Restructured
- Streamlined
- Official commentary added for clarity
- Article 4 Registrant Responsibilities moved to Plan
- Article 5 On-Board Recording Devices combined with Registrant Responsibilities and moved to Plan
- Procedures specifically dealing with actual distance added (Article 5 – Audit Procedures)
- Registrant and Jurisdictional Report combined (Article 6 – Audit Reporting)
- Records Review process added (Article 7)
- Glossary added
- Article 9 – Summary deleted



Manual Article 1 – Introduction

- Formally distinguishes (101(b)) between the terms “must” and “should”, especially as related to the peer review process.
 - Must – requirement
 - Should – requirement that may be overcome, to the satisfaction of the Peer Review Committee, if the jurisdiction has documented the relevant circumstances and reasons for not complying. Each term is defined in the Glossary.
- Must – used to specify an unconditional requirement
- Should – Conformance is expected unless, when applying professional judgment, circumstances justify deviation.



Manual Article 5 – Audit Procedures

- 505 – Actual Distance Audit Procedures

- (a) Actual distance reported but not found through audit must be converted to an estimate in accordance with Plan 415 (i.e., treated as an added jurisdiction with the original percentages unchanged)
- (b) Actual distance reported in error where apportionment was not intended (i.e., AZ distance reported to AR) must be assigned correctly and fees adjusted in accordance with Plan 405
- (c) If determined through audit that a vehicle does not qualify as an apportionable vehicle, the relative reported distance is to be deducted with appropriate fee adjustments. Full (100%) fees are to be calculated for the jurisdiction where the vehicle traveled and included in the adjustments reflected on the transmittals.
- (d) Proper credentials or trip permits must be verified for actual distance traveled but not reported. If unable to verify, fees must be calculated in accordance with Plan 415.



IRP Audit Rewrite

All changes can, and should be, viewed. The best location to find them either the actual documents or redirects to them is:

<http://www.irponline.org/?page=theplan>

Prior to July 2013, several more educational and informative offerings are being planned for the IRP community, so stay tuned...



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...provides a medium within IRP, Inc. to review each member's procedures and audit program for compliance with the

...the authority of Sections ... the responsibility and author

...of each IRP Member Jurisdiction; and fee test.

For more information about the Peer Review Committee, read the full [Charter](#).

Meeting Minutes

Access minutes from past [Peer Review Committee meetings](#). You must be signed in to view committee meeting minutes.

Questions....

