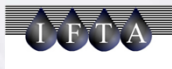


# Sampling

## Selection Process and Verifying Adequate Representation



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## Sampling – IRP Definition

### 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.



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## Sampling – IRP Current

### 203. Study and Evaluation

.....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.

4



## Sampling – IRP Current

### 702. Evaluation of Internal Control

(e) .....Based on the result of the compliance tests, the auditor makes an assessment of the degree of reliance that can be placed on the internal controls. 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.

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## Sampling – IRP Current

### 703. Sampling and Extrapolation Procedures

(a) ...auditor should discuss proposed sample periods and Operational Records with the Registrant.

....no less than three representative months of the Reporting Period for the Registration Year being audited will be selected for Audit with respect to Jurisdictional distance and other attributes required by Article IV of the APM.

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## Sampling – IRP Current

### 703. Sampling and Extrapolation Procedures

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. 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 reporting system, or if there is an absence of distance summaries.

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## Sampling – IRP July 1, 2013

### 402. Opening Conference

A documented opening conference should be held with the Registrant to discuss the Registrant's operations, distance accounting system, Audit procedures, Records to be examined, **sample period, and sampling procedures**, etc. If the conference is held, the Audit file must contain documentation of the meeting and must include date, participants and details of the meeting.

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## Sampling – IRP July 1, 2013

### 501. Preliminary Audit Procedures

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

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## Sampling – IRP July 1, 2013

### 502. Evaluation of Internal Control

- (d) The Auditor must test the effectiveness of internal controls. Based on the result of these tests, the auditor should make 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.

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## Sampling – IRP July 1, 2013

### 502. Evaluation of Internal Control

#### Official Commentary

....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.

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## Sampling – IRP July 1, 2013

### 502. Evaluation of Internal Control

#### **Official Commentary Abridged** (continued)

Substantive approach, do not rely on the internal controls of the Registrant. Rather, increase the amount of detailed testing on source documents and distance summaries.

#### Used when:

- there are no internal controls in place
- the internal controls are deemed unreliable
- the auditor has determined that it is too costly to study the internal controls of the Registrant.

## Sampling – IRP July 1, 2013

### 503. Sampling and Extrapolation Procedures

- (a) The auditor should discuss with the Registrant the proposed sample periods, sample Vehicles, and Records to be selected for Audit. At least three representative months of the Reporting Period should be selected for Audit. Generally, Audits are to be conducted on a sampling basis. The auditor may choose from a variety of sampling methods.

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## Sampling – IRP July 1, 2013

### 503. Sampling and Extrapolation Procedures

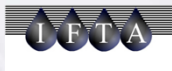
If tests of internal controls reveal major weaknesses in the Registrant's distance accounting system, sampling may not be possible or the size of the sample may have to be expanded.

14

## Sampling - IFTA

### \*A630 OPENING CONFERENCE

.100 Except as defined in A630.200, a documented opening conference shall held with the licensee outlining the licensee's operation, audit procedures, records to be examined, **sample period, sampling procedures**, etc.



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## Sampling – IFTA

### A520: Standard Approach

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



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## Sampling – IFTA

### A520: Standard Approach

To determine if the licensee's distance accounting system properly accumulates all distance generated by units identified to the licensee's operation, not less than three representative months should be selected for audit with respect to computations of jurisdiction distance via routes traveled and to assure that all miles/kilometers are reported into the system.



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## Sampling - IFTA

### A530 SAMPLING

Unless a specific situation dictates, all audits will be conducted on a sampling basis.

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

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



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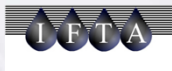


## Sampling - IFTA

### A530 SAMPLING (continued)

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

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



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## Case Study

### Indiana Made a Mistake

We had an idea, it did not work out.

30 units for 3 months contained in one IFTA quarter would have been our normal procedure. But because the account was large someone thought it might be a good idea to get more vehicles in the sample. So we selected 30 UNIQUE units from each month for 3 months contained in an IFTA quarter. It was a mistake. Why?



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## Case Study

### Large Carrier

Nationwide  
15 terminals  
Bulk Fuel in 10 jurisdictions.  
Fleet is part GPS part manual trip reports  
Owner operators comprise 25% of the fleet

What do you need to consider is selecting your sample?



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## Sample Selection

[Wyoming Sample Selection](#)

[Missouri Sample Selection](#)

[Indiana Preaudit Example](#)



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# Sample Selection

[Adequate Representation Spreadsheet](#)

[Emergency Order](#)

[Sample Agreement](#)



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# Sample Selection

Thank You!



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