



IFTA/IRP AUDITING 101

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What is...?

- IFTA – International Fuel Tax Agreement
 - Fuel tax
 - Quarterly tax returns
 - Distance/Fuel/MPG/KPL
 - Licensee
- IRP – International Registration Plan
 - Registration fees
 - Annual reporting period
 - Distance = Percentages
 - Registrant



2





What is the same?

- Adequate pre-planning required with due professional care
- Opening and closing/exit conferences required
- 30 day motor carrier appeal period with 45 days for Member Jurisdictions
- Distance records are required



3

Question:

How are IRP and IFTA different?



4

So what's different?

IRP

- Registration of vehicles with GVW < 26,001 is allowed
- Allow multiple fleets
- 1 yr, 1 fleet, 1 audit
- 3 month sample for the reporting year
- Lease Provisions

IFTA

- Allows intrastate
- 1 fleet per licensee (with exceptions)
- Multiple license years, fuel types or both = 1 audit
- 1 month per quarter sample
- Audit count is stratified



5

Pre-Audit Procedures

Preparations

- IFTA/IRP requirements (A310/APM501)
- Review reported data and company's record process
- Equipment information
- Analytical review
 - Questionnaire



6



Audit Notification

- IFTA Audit Manual **A420**
- IRP Audit Manual APM401



7

OPENING CONFERENCE **A440/APM 402**

- Introduce self and discuss a tentative outline and timeline of the process for the examination
- Discuss the purpose and process of the audit
- Also during the Opening Conference:
 - Company policies – who is the go-to person
 - Recordkeeping procedures – flow of paperwork
 - Carrier's audit procedures



8

OPENING CONFERENCE

- Discuss the company's operations/policies
 - Who, What, How
- Tour the business either physically or virtually
- Document your observations
 - Flow of the paperwork from dispatch to reporting
 - Type of equipment
 - Owner/Operators



9

OPENING CONFERENCE

- Discussion on distance recordkeeping
 - What documents are kept?
 - Is the information driver based?
 - Distance software?
 - GPS?
 - Are odometers maintained?
 - How are routes of travel established?
 - Are they recorded?
 - How is the data summarized?
 - Are the summaries used to prepare returns and applications?



10

OPENING CONFERENCE

- Discussion on fuel recordkeeping
 - Establish sources of fuel
 - Bulk fuel
 - Retail fuel
 - 3rd party vendors
 - What documents are kept?
 - What information is retained?
 - How is the data summarized?
 - How does it get to the return?



11

OPENING CONFERENCE

- Discussion of fleet MPG/KPL
 - Are any fluctuations addressed?
 - Are any unusually high or low?
 - Fuel without distance?
 - Distance without fuel?



12

Results of the opening conference and pre-planning

- Effective and efficient audit plan
- Clear communications
- Better understanding of the carrier



13

Evaluation of Internal Controls

- What do IFTA and IRP require?
 - IFTA Audit Manual Section **A320**
 - IRP Audit Procedures Manual 502



14

Evaluation Process

- Review & documentation
- Preliminary evaluation
- Tests of compliance
- Strengths & Weaknesses



15

Large company vs Small company



What might you expect to find for an internal control structure and distance accounting system?



16

Question:

How does the evaluation of
internal controls impact your
audit scope?



17

Question:

What are the benefits to
performing a thorough internal
control evaluation?



18

Basic Fieldwork

- Review the carrier's processes
- Verify all available records
- Data entry (distance/fuel/MPG/KPL)
- Run trips through your mileage software tools
- Comparisons
- Identify errors



19

Communication during fieldwork

- Communication throughout the process is important
- Keeping the carrier informed eliminates blindsides for both parties



20

Question:

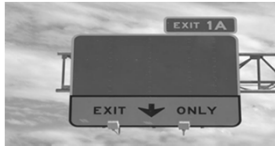
What needs to be addressed in a closing conference?



21

Closing/Exit Conference

- What is required?
 - IFTA **A450**
 - IFTA R1210
 - IRP APM 404



22

Closing/Exit Conference Purpose

- Provide information
- Avoid misunderstandings
- Can have both a closing and exit conference



23

Closing/Exit Conference

- What can you do to ensure your conference is effective and successful?
 - Prepare
 - Plan
 - Communicate



24

Questions



25

Links to Resources Available to Auditors

- www.iftach.org
- www.irponline.org
 - Webinars
 - Evaluation of Internal Controls for IRP & IFTA Auditors
 - Pre-Audit Planning & Opening Conference
 - Materials from past IFTA-IRP Audit Workshops



26

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THANK YOU



27
