# Materials for 2014 Annual Business Meeting

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### Tuesday, August 12, 2014

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<tr>
<td>12:00 - 5:00 p.m.</td>
<td><strong>Meeting and Registration Assistance</strong></td>
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<td>1:30 - 5:00 p.m.</td>
<td><strong>Industry Advisory Committee Meeting</strong> - Gary Bennion, Con-way, IAC Steering Committee</td>
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<tr>
<td>5:30 - 7:00 p.m.</td>
<td><strong>Reception</strong> Sponsored by Legatus</td>
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### Wednesday, August 13, 2014

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<tr>
<td>7:00 a.m. - 5:00 p.m.</td>
<td><strong>Meeting and Registration Assistance</strong></td>
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<tr>
<td>7:15 - 8:45 a.m.</td>
<td><strong>Continental Breakfast</strong></td>
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<tr>
<td>8:00 - 8:30 a.m.</td>
<td><strong>Meet the IFTA, Inc. Board of Trustees and Staff</strong></td>
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<td>8:30 - 10:15 a.m.</td>
<td><strong>Call to Order</strong> - Ron Hester (ON), President, IFTA, Inc. Board of Trustees</td>
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<td><strong>Presentation of the Colors of Canada and the United States</strong> - Pennsylvania State Police Ceremonial Unit</td>
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<td><strong>National Anthems of Canada and the United States</strong> - Ian Turner (PA), DOR/MAFT</td>
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<td><strong>Welcome to the Jurisdiction of Pennsylvania</strong> - James Dehnert, Pennsylvania IFTA Commissioner</td>
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<td><strong>Roll Call of Jurisdiction Voting Delegates</strong> - Tammy Trinker (IFTA, Inc.), Office and Events Administrator</td>
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<td><strong>Self-Introductions by Meeting Attendees</strong></td>
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## Wednesday, August 13, 2014

**President’s Report** - Mr. Hester

### Approval of the Minutes of the 2013 Annual Business Meeting
- Chuck Ulm (MD), IFTA, Inc. Board of Trustees

**10:15 - 10:45 a.m.**  
Break (Provided)

**10:45 a.m. - 12:00 p.m.**

**Election Committee Report** - Steve Nutter (VA), Chair, IFTA, Inc. Board of Trustees

**Election - Board of Trustees** - Mr. Hester

**Electronic Credentials Working Group Update** - John Shultz (KS), Chair - Tentative

**IFTA, Inc. Financial Report**
- Lonette Turner, (IFTA, Inc.) CEO/CFO
- Cindy Arnold (NV), IFTA, Inc. Board of Trustees

### Presentation of the 2014 Richard L. Reeves IFTA Leadership Award

- Ms. Turner, Richard LaRose (CT) - 2013 Award Recipient, Donna Burch (Ryder, Inc.) - 2008 Award Recipient

**12:00 - 1:00 p.m.**

**Lunch**  
*Sponsored by Xerox*

**1:00 - 2:30 p.m.**

**Program Compliance Review Update** - Debora K. Meise (IFTA, Inc.) Senior Director

**Program Compliance Review Committee Report** - Joe Dian (IN), Chair
- FTPBP #1-2014 - R1510 and P910 - Compliance Review Period
- FTPBP #2-2014 - R1555 - Compliance Matters

**Proposed Amendment to the IFTA, Inc. Bylaws** - Ms. Turner

**2:30 - 2:45 p.m.**

Break (Provided)

**2:45 - 5:00 p.m.**

**Town Hall Meeting**

**Moderators:**
- Mr. Hester
- Ms. Turner
- Mr. Ulm
- Stuart Zion (CO) IFTA, Inc. Board of Trustees

### Announcements

**Recess for the Day**

**5:00 – 6:00 p.m.**

**DRC Committee Meeting**

- Mark Byrne (NE), Chair
### Thursday, August 14, 2014

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<tr>
<td>7:00 a.m. - 5:00 p.m.</td>
<td><strong>Meeting and Registration Assistance</strong></td>
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</table>
| 7:00 - 8:30 a.m. | **Breakfast Buffet**  
*Sponsored by Celtic* |
| 8:30 - 9:15 a.m. | **Committee Reports**  
- Agreement Procedures Committee  
  *Kimberly Knox-Lawrence (ME), Chair*  
- Attorney’s Section Steering Committee  
  *Collin Davis (IN)*  
- Law Enforcement Committee  
  *Lt. Jennifer Brown (AZ) - Tentative*  
- Information Technology Advisory Committee  
  *Scott Miller (KS), Chair*  
- Dispute Resolution Committee  
  *Mark Byrne (NE), Chair*  
| 9:15 - 11:00 a.m. | **Audit Committee Report**  
*Jeff Hood (IN), Chair*  
- FTPBP #3-2014 - Proposed Amendments to the IFTA Governing Documents regarding Audit (I-CAWG) –  
  *David Nicholson (OK), Chair*  
- FTPBP #4-2014 - A310 - Number of Audits  
| 11:00 - 11:15 a.m. | **Break (Provided)** |
| 11:15 a.m. - 12:15 p.m. | **Reporting Dual Fuel Vehicles Revisited**  
*Hugh Hughson (BC), IFTA, Inc. Board of Trustees - Tentative*  
- STPB #5-2014 - P1300 - Units of Measurement  
| 12:15 - 1:45 p.m. | **Lunch (On Your Own)** |
| 1:45 - 3:00 p.m. | **Funds Netting and Clearinghouse Update**  
*Amanda M. Koeller (IFTA, Inc.), Program Administrator  
Randy Boone (IN)*  
| 3:00 - 5:00 p.m. | **IFTA, Inc. Strategic Plan**  
*Joy Prenger (MO) and Trent Knoles (IL), IFTA, Inc. Board of Trustees*  

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*AGENDA*

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### AGENDA

**Thursday, August 14, 2014**

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<tr>
<td>3:15 - 3:30 p.m.</td>
<td>Beverage Break (Provided)</td>
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<td>3:15 - 4:00 p.m.</td>
<td>Industry Advisory Committee Report - <em>(TBA)</em></td>
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<td>IFTA, Inc. Website - What’s New? - <em>Mrs. Meise</em></td>
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<td>Announcement of 2015 Annual Meeting Location - <em>Ms. Turner</em></td>
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<td>Final Remarks - <em>Mr. Hester</em></td>
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**SUPPORTER**

![Fast Enterprises Logo](fast-enterprises.png)
2013 Annual Business Meeting

Call to Order
Mrs. Patricia Platt (KS), IFTA, Inc. Board of Trustees (Board) President, called the meeting to order. Mrs. Platt introduced the young men, Master Alex Aaquist and Master Brenlon Dillard, Cub Scouts from local Pack 154 who carried and posted the United States and Canadian colors. Ms. Natalie Musselman was then introduced and sang the National Anthems for both the United States and Canada. Mrs. Platt then introduced Mr. Troy Dillard, Nevada Director of Motor Vehicles. In addition to being the Director of the Nevada Division of Motor Vehicles, Mr. Dillard also serves as a member of the Board of Director of AAMVA’s Region IV as well as the Nevada Automotive Affairs Advisory Board.

Welcome
Mr. Dillard welcomed everyone to the 30th Annual IFTA Business Meeting. He said it was an honor to have Nevada chosen as the host jurisdiction for the 30th anniversary. Conventions, Mr. Dillard explained, are the best method for both networking and obtaining information. They are an invaluable and non-replaceable resource of information. Mr. Dillard urged everyone to take advantage of the networking opportunities presented throughout the course of the business meeting. He stressed that collaboration is essential as public individuals and for advancing all areas of the IFTA.

Both IFTA and IRP are handled at the Division of Motor Vehicles (DMV) within the Nevada structure. The DMV has an incredible staff throughout the entire organization and everyone is very goal oriented. After just over two years of working together, leadership and goal-oriented objectives, the NV DMV moved from the bottom as the worst government agency in the state to the top. Using the NV structure as a role model, Mr. Dillard explained that the success of IFTA hinges on fostering trust and cooperation. Further, he stated that this could not be obtained unless all members put aside their personal views and work towards the betterment of all involved and work towards a common goal.

Roll Call
Mrs. Tammy Trinker, IFTA, Inc. Office and Events Administrator, presented the roll call of membership. Mrs. Trinker announced that there was a quorum (54 jurisdictions) to conduct the business of the organization. Following the roll call self-introductions were made by others in attendance.

President’s Report
Mrs. Platt gave the President’s Report and thanked everyone for their diligence and time spent through the years to make IFTA the organization it has become. She reflected on those who have since left either by retirement, employment changes or death and the impact their role has had on the organization. Mrs. Platt also acknowledged those that were new to the IFTA and the first time meeting attendees. Members of the Board were also recognized and introduced. Previous Board members were likewise honored as were those who either currently are or have served on the various IFTA Standing and Special Committees throughout the history of IFTA.
There was a great many of attendees who, through their dedication and service, have worked to grow and improve the IFTA.

Mrs. Platt recognized that, over the course of these past thirty years, there have been bumps in the road that, through cooperation and willingness to work together, were smoothed out, and the problems were addressed, reviewed and resolved by working as a team. The bond between jurisdiction member and industry and public officials was recognized as Mrs. Platt commented favorably on the relationship.

**Short Track Preliminary Ballot Proposal 6-2013**

Mr. James Poe (IN) presented Short Track Preliminary Ballot Proposal (STPBP) #6-2013. The intent of this ballot is to add a new provision to the IFTA Articles of Agreement that will bring the IFTA program up to date with current technology. It will help IFTA move towards electronic credentialing and dispose of the paper license. It is Indiana’s intent to have this ballot move forward in the short track ballot process so that more discussions could be had before the ballot is voted on. IRP has a ballot regarding this specific issue as well.

Mr. Poe discussed the benefits of electronic credentialing. Some of these benefits include better enforcement, more collection of revenue, more efficient, save jurisdictions money, creates a level playing field for the trucking industry and would save money for industry.

There were some concerns expressed regarding fraudulent documentation and bar code issues such as

- image of a license being shown
- signal blocked areas of a jurisdiction where internet access is not possible to verify the credential due to its location
- position of law enforcement officials with having to handle the device and liability issues should something happen to the device
- personnel safety of having to enter the cab in an effort to view the credentials

Consideration of a working group was suggested to review the concept and identify the pros and cons before asking membership to vote on the ballot proposal. It was Mr. Poe’s position that if a working group was created, the technology would not be ready until much later.

**Motion:** Mr. Garry Hinkley (ME) moved to allow the ballot to continue on the short track process. Mr. Rick LaRose (CT) seconded the motion. By a roll call vote the motion passed with a vote of 49 to 3.

**Together we’ve made it Happen**

Mr. Robert Pitcher (American Trucking Associations, Inc.) and Ms. Lonette Turner (IFTA, Inc. CEO/CFO) made this presentation. Mr. Pitcher spoke to the history of IFTA as it related to industry and its impact. Before the IFTA there was non-uniformity in several areas such as the types of vehicles which needed to report, how registration was completed and how often during the course of a calendar year reporting was required. Prior to 1983, when the IFTA began, fuel use taxes were definitely not uniform in nature and burdensome for the carriers and the process was quite expensive.

Ms. Turner spoke about the jurisdictional aspects of the IFTA. IFTA began in 1983 by three jurisdictions: Arizona, Iowa and Washington. In December of 1991 the Intermodal Surface Transportation Efficiency Act (ISTEA) was enacted by then President George Bush. This Act
provided the framework to develop a National Intermodal Surface Transportation System and
authorized funds for highway construction, safety and mass transit programs. A mandate was
made that, by September 30, 1996, the 48 contiguous states must collect motor fuel use taxes
in conformity with the IFTA. Only those participating in the Regional Fuel Tax Agreement
(RFTA) were exempt from this mandate. Full membership was reached in 1997 with all 48
contiguous states and 10 Canadian provinces participating in IFTA.

In 2000 the IFTA, Inc. clearinghouse became fully operational and Maryland was the first
member to upload data to the clearinghouse. Today, fifty-three members are participating in the
clearinghouse and four jurisdictions have read-only access.

Ms. Turner reviewed the benefits IFTA provides to membership. Some of these benefits were
fewer licenses and decals to be issued, fewer tax returns for processing, the ability to complete
more audits as jurisdictions conduct audits on behalf of other member jurisdictions, a decrease
in costs to process, open communication with other jurisdictions and the ability to have the IFTA
program reviewed on a regular basis.

Mr. Pitcher and Ms. Turner both acknowledged membership and industry alike for their
participation and support of the IFTA Agreement.

Board and Staff Recognition
Mrs. Platt and the Board honored both Mr. Scott Greenawalt (OK) and Mrs. Sheila Rowen (TN).
Both are leaving the Board and were presented with plaques honoring their time on the Board.
The Board then recognized Ms. Turner for her 20 years of service with IFTA, Inc. Ms. Turner
was presented with a certificate of appreciation acknowledging her dedication and support of
IFTA.

2012 Minutes
The 2012 Annual IFTA Business Meeting minutes were then reviewed for approval. Mrs. Platt
asked for questions or corrections to the minutes. When none were offered she called for a
motion.

Motion: Mr. Greenawalt moved to adopt the 2012 Annual IFTA Business Meeting minutes.
Mrs. Rowen seconded the motion. The motion passed unanimously.

Election Committee Report
Mr. Hugh Hughson (BC), Board member and Election Committee Chair, presented this report to
membership. Mr. Hughson reviewed the requirements of a Board member. Of the current
Board, there are five seats for election. Three of the current serving members, Mr. Ron Hester
(ON), Mr. Chuck Ulm (MD) and Mr. Stuart Zion (CO) are up for re-election. Both Mr.
Greenawalt and Mrs. Rowen were not eligible for re-election.

The Election Committee sought nominations from membership for the available Board seats.
Following this process the committee had chosen Mr. Hester, Mr. Ulm, Mr. Zion and Mr.
Stephen Nutter (VA) as nominees to the Board. Based on the nominations presented from
membership, both Mr. Trent Knoles (IL) and Mr. James Poe (IN) were presented as nominees
from the Midwest region. Mr. Hughson presented the four un-challenged nominees to
membership and asked for a motion to approve the slate by acclamation.
**Motion:** Mr. Bernie Meager (NS) moved to approve by acclamation the Election Committee Nominee Slate including Mr. Hester, Mr. Nutter, Mr. Ulm and Mr. Zion. Mr. Scott Bryer (NH) seconded the motion. The motion passed.

Membership then completed a paper ballot to elect the Midwest regional Board representative. The membership voted between Mr. Knoles and Mr. Poe. Ballots were collected and counted by Mr. Rich Wagner (NV) and Mr. Stephen Holbrook ( ). Following the conclusion of this process it was announced that Mr. Knoles had been elected by membership to serve on the IFTA, Inc. Board of Trustees.

**Richard L. Reeves IFTA Leadership Award Presentation**
The panel of presenters for this year’s Richard L. Reeves IFTA Leadership Award consisted of Ms. Donna Burch (Ryder), Mr. Garry Hinkley (ME), the 2012 award recipient, Ms. Sandy Johnson (NorthStar Fleet), Industry Advisory Committee Chair, Mrs. Rowen and Ms. Turner. The presentation spoke about the qualities that the recipient of the award embodies and how Mr. Reeves had always worked to maintain positive communication and work to affect positive change throughout the IFTA community. This year’s recipient of the Richard L. Reeves IFTA Leadership Award is Mr. Richard LaRose (CT).

**Full Track Preliminary Ballot Proposal #1-2013**
Ms. Cindy Arnold (NV) presented this ballot to membership. The intent of this ballot is to change the wording for consistency of both electronic and paper returns. Ms. Arnold explained that, basically, this is a housekeeping ballot to enable all member jurisdictions to become compliant. Concern was expressed regarding the actual date of the submitted tax return that would be required. It was mentioned that clarification was required in order to meet compliance of this requirement. Concern was also expressed for the non-IFTA reported fuel.

**Reporting Non-IFTA Fuel on an IFTA Tax Return**
A panel of four persons presented this topic to membership. The panel included Ms. Sandi Ackerblade (ON), Ms. Johnson, Ms. Barbara Musick (FADV) and Mr. Wagner. Ms. Johnson explained that some jurisdictions are not accepting adjustments and/or non-tax paid fuel. This can be due to either missing receipts, Indian Reservation purchases or unacceptable receipts. In the age of electronic filing this issue is becoming more predominate. According to their research there are eight jurisdictions with this problem for both paper and e-returns alike.

Mr. Wagner reviewed the cost of the issue establishing why a jurisdiction would want to collect the monies tax payers are attempting to pay upfront. It was explained that if the jurisdiction is owed tax they always lose tax that is due. Likewise if a jurisdiction is owed a credit they are credited too much. It was the position of the panel that jurisdictions are losing income due to the failure to accepted non-IFTA fuel on the return.

IFTA Articles of Agreement R820 requires, in part, that “The licensee must report all fuel placed in the supply tank of a qualified motor vehicle as taxable on the tax return.” It was the panel’s position that they were not changing the tax reporting form itself but would, rather, add a clarification of what is put where on the form. The panel did consider requesting a Consensus Board Interpretation (CBI) but was concerned as to whether or not a CBI would answer the question and resolve the issue at hand. It was the position of the panel that the ballot proposal, IFTA FTPBP 1-2013, was the best means available addressing this concern.
During discussions education was offered as a means in which to better address this situation. The panel countered explaining that, for some jurisdictions, the only way some jurisdictions changes could be programmed into their IFTA tax return software was unless the Agreement specifically identifies the need as a requirement. It was for this reason the panel recommended IFTA FTPBP 1-2013 for membership’s consideration. There appeared to be a split wherein the handling of this issue is purely educational and in others the jurisdictions refuse to accept the fuel despite the Agreement requirement that all fuel be reported. After much discussion, it was decided to table this issue until the Town Hall discussion.

IFTA, Inc. Bylaws Amendments

Article Six, Section 8: Committees

Mr. Hester presented the proposed amendments to the IFTA, Inc. Bylaws. The first amendment was to add the Information Technology Advisory Committee to the IFTA Standing Committees. During a review of the proposed language membership expressed concern regarding the possible limitation of committee representation. It was argued that the current language of Article Six: “The committee members shall be selected from the membership of IFTA, Inc.” could exclude the necessary involvement from industry and the general public. The Board reviewed the language presented and made revisions to the proposed language so that it would not be exclusive of its representation.

Motion: Mr. Hinkley moved to amend the Bylaws as presented following the membership revisions to the proposed language. Mr. Bernier Meagher (NS) seconded the motion. By a vote of 53 affirmative and 1 opposed the motion passed.

Article Four, Sections 3 and 10: Board of Trustees

Another Bylaws amendment was then presented for consideration. This amendment was to address the Board of Trustees and the regional representation. The language being amended would permit the nominations to be open from any region should a nominee not be presented from the current open region. Much discussion was had in regards as to the necessity of this Bylaws amendment. Based on membership’s concerns regarding this language it was the decision of the Board to withdraw this particular amendment until they have had a chance to further review the proposed language at the October Board meeting.

Full Track Preliminary Ballot Proposal #2-2013

Mrs. Platt and Ms. Brenda Coone (AL) presented this ballot for discussion. The intent of this ballot is to amend the definition of a qualified motor vehicle (QMV). This amendment was created based on the accounts of several carriers that do not utilize qualified motor vehicles and yet are being ticketed at the roadside as the definition of a QMV suggests the trailing unit is part of the defined requirement. A straw vote showed strong favor of the ballot language with minor revisions. There was minimal opposition to this ballot proposal by membership.

Report from New Jersey

Mr. James Walker (NJ) offered this a presentation on the state of New Jersey’s report on Audit Compliance. Mr. Walker explained that due to a reduction in personnel over a four year period from 2004 to 2008, NJ has been unable to meet the IFTA audit requirement of 3% since 2004. In 2008 the Program Compliance Review of NJ found that the jurisdiction failed to complete a sufficient number of audits during the review period of 2004 to 2008. April 2012 a Final Determination of Non-Compliance was issued by the IFTA Program Compliance Review Committee (PCRC) and in November 2012 the IFTA Dispute Resolution Committee (DRC)
issued an order to the state of NJ that included performing audits in a number that is equal to the audit shortfall during the period of the calendar years 2009 through 2013.

In the face of the DRC mandate NJ has been working to procure additional employees including an accounting firm and temp agency whose sole focus would be to identify and work on IFTA audits. In addition, the number of NJ Motor Vehicle Commission (MVC) employees was increased. Given these additional resources NJ believes that they will be in compliance for the year 2013 and will complete the required audit shortfall from the period of 2008 – 2012 by 2015.

Dual Fuels Working Group Report
Mr. Gary Bennion and Mr. Hughson presented a dual fuel vehicle 101 learning, recommended reporting process and ballot language. A dual fuel vehicle is a vehicle which can use two fuels at the same time. There are two types of natural gases. One is liquid natural gas (LNG) and the other is compressed natural gas (CNG). The reason dual fuel engines are being developed is to lower the cost of fuel as compared to regular diesel. It is anticipated that at least 5% of long haul vehicles will be dual fuel within the next five years. The IFTA tax return being utilized today was built for reporting one fuel type per vehicle and these types of vehicles use two.

The Dual Fuel Working Group (DFWG) drafted a recommended reporting process for dual fuel vehicles. This process was reviewed with membership and an example of how best to report and tax dual fuel use vehicles were shown. A mathematical equation was provided to assist in this understanding. It was explained that the module will be posted to the IFTA, Inc. website and that it would not be included in the actual Agreement. The process presented by the DFWG was a recommendation and not a requirement.

Full Track Preliminary Ballot Proposal #3-2013
The intent of this ballot is to introduce a standard conversion factor so CNG, when sold in gaseous volumes, can be converted to liquid volumes and more accurately reported on the IFTA tax return. It was expressed that this ballot language did not impact jurisdiction sovereignty and that the reporting was almost identical to P1300 for the conversion of tax rates and volume measurements between the US and Canadian jurisdictions.

This ballot offers definitions of gallons and liters. It was expressed that the best way to make the reporting work for dual fuel vehicles is if the IFTA community agrees on a specific number and tax at that level as opposed to different rates for different jurisdictions. Following the first comment period the DFWG has incorporated the various comments suggested by the jurisdictions. The working group welcomes additional comments and will take into consideration the discussions held during the Annual IFTA Business Meeting.

Full Track Preliminary Ballot Proposal #5-2013
Ms. Cindy Arnold (NV) and Mr. Knoles presented IFTA FTPBP 5-2013. The intent of this ballot, sponsored by the IFTA Agreement Procedures Committee (APC), is to address the way voting is held within the organization. It was the committee’s position that the Agreement is inconsistent in its application of voting rules. In three instances not submitting a vote is considered to be a negative vote. If a jurisdiction chooses not to vote or abstains from voting these choices impede the amendment process. Jurisdictions that do not exercise their right to vote should be considered to have ceded their interests to those jurisdictions who have voted. It is being suggested that three-fourths of the total member jurisdictions casting votes be required for passage.
Discussion was had regarding the majority requirements. It was suggested that perhaps the requirement read 75% of voting membership of the 75% total membership. This would equate to the requirement of 33 affirmative votes in order to have passage.

**Town Hall Meeting**
During the Town Hall Meeting several topics were discussed by membership. These topics included audit uniformity and compliance, reporting, funds netting, GPS, tax rate calculations, communications, the time frame and location for future Annual Business Meetings and other issues such as parking in other jurisdictions, fuel taxes and decals.

**Audit**
During discussion of the audit uniformity issue it was questioned as to whether or not there should be a universal audit program index. Connecticut has created a field audit program which is generic to all tax types and is considered to be a great tool for younger auditors and jurisdictions with high experiences in turnover. There are two types of programs CT has available: Execution Phase, which is tax type specific and the Field Audit Program which is generic to all types of taxes. It was expressed that not all jurisdictions may want the same check list.

Audit compliance was then addressed and membership was asked if IFTA qualified units operating without decals should be left to law enforcement and ignored during an audit. One jurisdiction, Nevada, explained that they work very closely with law enforcement regarding carriers operating without proper credentials. Roadside compliance check sights review a carrier’s credentials and can be issued a citation in as much as $500 for each citation issued. Non-compliance issues found during an audit could lead to an additional fine of $500.

**Reporting**
Membership was asked about the IFTA reporting requirements for vehicles exempt from motor carrier taxes in their base jurisdiction but not in others. Some examples given were school buses and farm vehicles. It was explained that if a vehicle is exempt in their base jurisdiction but intends to travel to other jurisdictions where they are not considered to be exempt the carrier should either obtain trip permits for each travel or become a licensed IFTA carrier in their base state. While they will not have to pay a fuel use tax in their base jurisdiction due to their exempt status they will need to pay for those jurisdictions which they travel through.

**Funds Netting**
It was questioned whether or not non-participating jurisdictions should be included in the funds netting piece of the clearinghouse. Membership was in support of allowing non-participating jurisdiction’s to participate in the funds netting aspect of the clearinghouse.

IFTA, Inc. then inquired about providing a single funding period and eliminating the late payment period. This would require jurisdictions that missed the funding period to provide paper checks to those members with money due. Currently IFTA, Inc. offers two prorate periods but there has been discussion within the Clearinghouse Advisory Committee (CAC) and IFTA, Inc. to switch to one prorate period. Reviewing the clearinghouse membership it was noted that Quebec is working towards a read-only access and British Columbia will join as a full participating member by January 2014. After some discussion IFTA, Inc. informed membership that this issue will continue to be researched.

**Global Positioning Systems**
Some discussion was had regarding the reliability, accuracy and how GPS is being used. It was expressed that so long as the GPS data provided during an audit could be verified that it would be accepted by jurisdictions. The key to bringing information to an accurate return depends on the type of tax systems utilized by the carrier. This concern has been scheduled as a presentation during the February 2014 IFTA/IRP Audit Workshop in Ft. Lauderdale, FL. One concern identified by membership was the retention of records. The Agreement’s requirements for records retention could lead to financial issues due to costs involved with retrieving data from periods that are not current. Nevada explained that they have a GPS Certification Program which lists the necessary requirements for conducting an audit when the carrier utilizes GPS. This program can be amended to be jurisdiction specific and interested members can contact Nevada for this program and additional information.

**Calculations of Tax Rates**

Tax rate changes and split rates were discussed. Maryland announced that its tax rates could be changing annually. For the first time since 1992, MD changed its tax rate effective July 1. It was explained that the calculations would be done once a year and that the rate change announcement would be made on June 1 of each year. However, there is a chance that there would not be a rate change if there was no growth or a decline in the Consumer Price Index (CPI). MD does not anticipate a split rate.

Discussion was also had regarding which jurisdictions were changing tax rates and when the changes would go into effect. Virginia informed membership that its rates may change every July 1 and January 1. This would be due to the rates being based on a state average rack price based on six months usage. Virginia does not anticipate a split rate at any time in the future. However, VA will have a surtax rate change as well. The surtax change will be applied to the 3Q13 tax rates.

Kentucky also informed membership that their tax rates would normally change July 1 of each year and that their calculations are similar to how VA calculates their rate. Kentucky also expressed gratitude to those members and industry representatives that offered assistance during the 3Q12 and 4Q12 tax rate error. All invoices that KY had issued following this error has been collected and Kentucky was very appreciative of this.

**Jurisdiction Success Stories**

Members were invited to share their success stories and talk about what has worked for them to improve their relations and IFTA program. Some of these stories were reported as follows:

- Iowa Annual Carrier Meeting
- New Hampshire Quarterly Auditing Seminar
- Wisconsin IRP and IFTA record keeping and monthly mailings
- Manitoba Quarterly newsletter
- Ontario Webinars for Carriers as partnered with ON Trucking Association
- Alberta video on filing IFTA tax returns online
- Quebec Conformity Visit System for new licensees
- British Columbia Auto Populating Data for license and tax rate changes
- Ontario contacting new registrants to explain the IFTA requirements
- New Brunswick Educational Visits for existing licensees and new accounts

For additional information membership and carriers can reach out to the above mentioned IFTA member jurisdictions.
Annual IFTA Business Meeting
Discussion was had regarding the scheduling and location of the Annual IFTA Business Meeting. A majority of membership preferred the August time frame as compared to July. IFTA, Inc. will also work to identify hub locations that would make travel less complicated and costly. A third party source will also be consulted when identifying the hotel so that the most ideal location and meeting rooms can be procured. IFTA, Inc. will host the meetings in the future in an effort to not burden the hosting states with registration and other aspects of the meeting. However, host jurisdictions can still be as active and involved in the process as they would like; IFTA, Inc. would welcome their assistance in any capacity.

Changes that Affect Everyone
Discussion was then had regarding issues that have been brought to IFTA, Inc.’s attention. One such concern focused on carriers that have traveled out of their base jurisdiction and ceased reporting any miles or activity. It was explained that some carriers had traveled from their base jurisdiction into another and have, in a sense, parked in the other jurisdiction for an extended period of time. This has become a concern when the base jurisdiction revokes the carrier’s IFTA license after three quarters of non-activity as permitted by Article R345.300.

Some possible resolutions offered allowed for the parked carrier to license in the jurisdiction even if it is not their base jurisdiction. Another suggestion was that the carrier be adopted by a third party jurisdiction in an effort to foster good business practices. It was opined that such carriers aren’t trying to be non-compliant and that they be permitted to file zero balance tax returns. Much discussion was had regarding the pros and cons of this issue but no clear direction was offered.

Decals
A discussion was had regarding the IFTA decals and intrastate travel. It was explained that there are carriers that do not travel beyond the border of their base jurisdiction, thus traveling only intrastate, but have requested to be licensed under the IFTA and receiving the IFTA decal. Concern was expressed regarding the reporting of the intrastate miles. It was surmised that the intrastate miles would then be required to be reported on the IFTA tax return.

Non-receipted Fuel
Mr. Jabas revisited the issue of non-receipted fuel. Discussion was had regarding this issue and diesel fuel purchases made on Indian reservations. Industry expressed concern and requested that these issues be addressed and resolved. There needs to be a consistent means of reporting the non-receipted fuel and education must be provided. Concern was also expressed due to the costs involved should the tax return forms be revised and that, in turn, would cause the jurisdictions to possibly vote against the proposed ballot.

ABM Travel Reimbursement
Mrs. Meise informed membership that an expense report would be emailed to the attending voting delegates. Members will be able to choose their reimbursement to either be a paper check or electronic direct deposit.

Financial Report
Ms. Turner and Mr. Hester presented the IFTA, Inc. financial report which had been emailed prior to the business meeting to all Commissioners and Assistant Commissioners. The financial
investment portfolio was reviewed and membership was informed that it continues to increase in value. Mr. Hester announced that IFTA, Inc. remains financially sound.

Ms. Turner referenced the funds netting process. Recent concerns were brought to IFTA, Inc.’s attention and, as a result, Ms. Turner wanted to advise membership of these concerns. Each month the member jurisdiction’s transfer funds into a checking account owned and maintained by IFTA, Inc. This account is federally funded up to a certain amount. The concern addressed an occurrence of the bank failing on a day when the funds are in the account and jurisdictions would not receive all of what is due should the total of the account be in excess of the amount federally funded.

Some of the possible solutions IFTA, Inc. has researched include having the account status be changed to be identified as public funds. Public funds, under Arizona law, are those that are held by government agencies and must be collateralized by the bank. Another option would be to secure bonds through specialty insurance companies and sureties. It was noted that such options could cost as much as 150,000 annually.

IFTA, Inc. is researching the best way to handle the risk of the bank holding the funds on the day all the jurisdictions monies are held and the bank fails. A risk assessment is being conducted. Ms. Turner emphasized that no matter what course of action is taken the money is never 100% safe 100% of the time whether it is being held by IFTA, Inc. or still within the jurisdiction’s possession. IFTA, Inc. will continue to research the concern and options available and report back to membership once a clear direction is identified. Ms. Turner encouraged membership to discuss the issue when they return to their jurisdictions following the business meeting.

Concluding the financial report, Ms. Turner informed membership that, through our partnership with IRP, Inc., IFTA, Inc. is providing an Audit Report Exchange for IRP, Inc. The service agreement has been signed and programming is underway.

Clearinghouse and Funds Netting Update
Mrs. Amanda Koeller, IFTA, Inc. Program Administrator, presented this report on behalf of Mr. Jason DeGraf, IFTA, Inc. Information Services Director. Currently there are ## participating members, # read-only members and # non-participating members in the IFTA, Inc. clearinghouse. There are more than 1300 clearinghouse users to date.

In April 2013 IFTA, Inc. began using a web service for the sharing of demographic carrier records. IFTA, Inc. is also installing a new internet service provider (ISP) at the end of August 2013. With this new service users should have data provided more quickly.

Mrs. Koeller then reviewed the funds netting. The funds netting continues to grow in participating members, now at 51, as well as expenses exchanged through the clearinghouse. Addressing the late payments, Mrs. Koeller informed membership that there were 41 jurisdictions that funded late in 2010. This number dropped significantly in 2011 to 16 late payments and again to 6 late payments in 2012. It is being projected, however, that the number of late payments for 2013 will increase and possibly double that from 2012.

Discussion was had regarding how best to handle the late funding considerations. Members were reminded to always update their Jurisdiction Communication List (JCL). Additionally IFTA,
Inc. recommends that each jurisdiction create a bulk email that would access all funds netting issues and mailings.

Clearinghouse Advisory Committee Update
Mrs. Koeller presented this report on behalf of the CAC Chair, Mr. Randy Boone (IN). Some of the projects that the committee has been working on include the transmittal and demographic quality control, creating a Best Practices Guide and researching non-participants being permitted access to the funds netting process. During discussions it was clarified that Quebec would need certification that the IFTA, Inc. website is secure before they could begin uploading any data.

Program Compliance Review Committee Update
Mr. Wagner and Ms. Joy Prenger (MO) presented the Program Compliance Review Committee (PCRC) update to membership. There are twelve reviews being conducted in 2013 and seven have been completed to date. All of these reviews will be electronic reviews (e-reviews). There will be sixteen reviews scheduled for 2014 and thirty-two jurisdiction volunteers will be necessary to successfully complete these reviews.

The PCRC has a vacancy in the northeast region for an audit position. The committee is also working on several projects including reviewing the program compliance reviews, co-sponsoring IFTA FTPBP 1-2013 with the Agreement Procedures Committee (APC) and addressing the Board charge in which the committee was asked to determine if the current review process should be modified. It is the committee’s intention to propose membership return to a four-year review cycle, move towards all e-reviews but allowing for exceptions and require all review data to be uploaded to the IFTA, Inc. clearinghouse. Additionally the PCRC will develop a review sample size range where the number of licenses registered in a jurisdiction will determine the sampled number of the licensees and audits to review, develop and provide online training programs for new and perspective reviewers and focus the review process on compliance issues found in R1555 as these issues are citable to the DRC.

Dispute Resolution Committee Update
Mr. Richard LaRose (CT), Dispute Resolution Committee (DRC) Chair, presented this report and explained that the committee had, as a result of the Referral for Enforcement, held discussions regarding the dispute process. In a report presented to the Board the committee had observed three critical areas that should be examined. These areas were penalties, expulsion and early intervention. Mr. LaRose reviewed each of these areas, their key points and options, in depth. It was concluded by the DRC that:

- Penalties should be structured to be punitive and serve as a clear deterrent
- Expulsion is the ultimate penalty; moving toward a self-revocation process would remove the burden of membership having to vote either for or against any particular member’s expulsion
- Early intervention is proactive and would permit the PCRC, DRC and the Board to discharge duties more timely and thoroughly

In conclusion it was explained that the committee would need to look at what aspects of the dispute process might need to be amended so that there is no lengthy delay in determining an issue of non-compliance as to when the issue is actually addressed. It was opined that this could be another tool for membership to approach their jurisdictions in anticipation of being provided additional assistance in maintaining a level of compliance. When membership was
questioned about the support of a 3-year review cycle it was expressed that such a review cycle could be considered for those jurisdictions found out of compliance but that a four or five year review cycle should be followed for those jurisdictions who are in compliance.

IFTA Compliance Audit Working Group Report
Mr. Jeff Hood (IN), IFTA Compliance Audit Working Group (ICAWG) Vice Chair, presented this report. The ICAWG has been working on the Board charge to review the work product of the RRWG from an audit perspective and to determine the next steps. The charge further asked the committee to provide to the Board any recommendations for change. It is the intention of the ICAWG to create a conceptual model of proposed language, obtain input from stakeholders and finalize proposed ballot language based on received input that the Audit Committee would sponsor.

Mr. Hood reviewed several articles that the working group is considering as needing to be revised. He offered that membership could contact the working group with regards to their position and if there were other areas that they recommended for review. Mr. Hood also asked that membership assign a person within their jurisdiction to liaison with the ICAWG so that they might be able to participate in the process. He emphasized that the ICAWG would like to work together with the IFTA community to ensure that the end result is something everyone will be happy with.

Standing and Special Committee Reports
Mrs. Meise reviewed activities of the IFTA Standing and Special Committees. The IFTA Standing Committees includes the Agreement Procedures Committee (APC), Audit Committee (AC), Information Technology Advisory Committee (ITAC) and Law Enforcement Committee (LEC). The projects of each of these committees were reviewed. In addition it was noted that the APC has a vacancy in the Midwest, the AC has a vacancy in the Canadian region and the LEC is reviewing their current committee member terms to determine if there are any upcoming regional vacancies.

The IFTA Special Committees include the Attorneys’ Section Steering Committee (ASSC), Commissioner Training Committee (CTC) and the Re-Audit and Re-Examination Working Group (RRWG). Mr. John Schultz (KS), ASSC representative, presented the ASSC report. This committee will be meeting in September 2013 for a very beneficial face-to-face meeting in Chandler, Arizona. The committee also anticipates having some vacancies in the near future.

Mrs. Meise then reviewed the upcoming committee sponsored meetings which includes the Attorneys’ Section Meeting, IFTA/IRP Managers’ and Law Enforcement Workshop and the IFTA/IRP Audit Workshop.

IRP, Inc. and IRP Update
Mr. Tim Adams, IRP, Inc. CEO, presented this update and reviewed the IRP, Inc. Board of Directors. Ms. Anita Wasko (PA) serves as Chair and Ms. Deann Williams (KS) is the Vice Chair. In addition to the twelve voting members, IRP, Inc. also has several non-voting members representing industry and related organizations that serve as advisors to the Board of Directors. Recently the IRP Board hosted regional calls wherein the Board reached out to the various regions in an effort to update the membership on various topics and encourage open discussions. This was very well received throughout the IRP community.
IRP has four open ballots for voting. These ballots reference the Full Reciprocity Plan, a change to Section 900 of the Plan regarding long term leave vehicles, electronic IRP credentials and align the IRP Dues due date with the IRP fiscal year.

Mr. Adams spoke about the new reciprocity agreement, the International Non Apportioned Vehicle Agreement (INCVA). This agreement will facilitate registration reciprocity for vehicles that are not required to be registered under IRP. Additional information regarding the INCVA can be found on the IRP, Inc. website and enrollment is now open for jurisdictions to sign the agreement.

Enhancements to the IRP, Inc. website were addressed. Several changes have been made addressing feedback such as implementing new membership directory functionality, having more of a focus on current news and events on the home page as well as the IRP Audit Exchange. IRP, Inc. expects to complete these updates in September and continues to make the website more user friendly.

Mr. Adams explained the IRP Audit Exchange. IRP, Inc. is addressing the need to improve the exchange of audit between member jurisdictions. IRP, Inc. has since partnered with IFTA, Inc. to host a process similar to the current IFTA audit exchange process. It is anticipated that this system will be available by the end of September. Referencing the IRP, Inc. clearinghouse Mr. Adams explained that IRP, Inc. is working on archiving the clearinghouse records so that only five years of data will remain within the clearinghouse. Additionally IRP, Inc. is evaluating enhancements suggested by the jurisdictions and drafting a clearinghouse technology plan for the Board of Director’s review in the fall 2013.

Concluding his report Mr. Adams informed membership that the IRP, Inc. Annual Meeting will be held in May 2014 in Albuquerque, NM.

**Invitation to the 2014 Annual IFTA Business Meeting**
Ms. Turner announced the location for the 2014 Annual IFTA Business Meeting. The meeting will be held at the DoubleTree by Hilton in Downtown Pittsburgh, PA. The business meeting will be held August 13 - 14, 2014. IFTA, Inc. will provide information regarding the meeting and registration as the meeting approaches.

**Industry Advisory Committee Report**
Ms. Johnson, Industry Advisory Committee (IAC) Chair reported on several issues of concern. These issues included:

- CNG/LNG: the establishment of the measurement of a gallon/liter and a standardized return to report and collect the tax will be key to the success of collection under IFTA
- GPS: encouraged training and asked IFTA, Inc. to consider a website disclaimer that IFTA does not endorse any GPS program
- Non-Receipted Fuel: encouraged jurisdictions to accept non-IFTA fuel on the electronic returns so that the amount owed can be successfully collected
- Multiple Licenses under a Single Federal ID: IFTA provides that licensees must request consolidation but can continue to have more than one IFTA fleet
- Base Jurisdictions without Distance: consistency in the interpretation of the Agreement language is very important

**Interest Calculations – An Example**
Mr. Hood talked about the federal interest rate that IFTA, Inc. is required to post to the website on an annual basis. This interest rate is derived from the federal interest rate and creates changes. Ask Lonette and Debbie to paraphrase this topic as I’m a bit confused with it. My apologies, Lonette and Debbie. *blush*

IFTA, Inc. Strategic Plan
Mr. Greenawalt presented an overview of the IFTA, Inc. Strategic Plan. The current plan was first developed back in 2008 and has been updated frequently throughout the past several years. The Board is reviewing the current plan and considering amendments to or completely re-writing the plan. Some of the major accomplishments of the plan include the full implementation of the IFTA, Inc. clearinghouse, complete update of the Annual Report and Exemption Databases and the development and implementation of e-reviews. The Board has identified several new threats including data hacking, VMT becoming a reality, economic changes affecting both the staffing and operations of IFTA, Inc. and the failure of financial institutions. During the October Board meeting the Board will begin reviewing and updating the goals and objectives of the strategic plan.

IFTA, Inc. Website Update
Mrs. Meise offered this update on behalf of Mr. Tom King, IFTA, Inc. Webmaster. IFTA, Inc. is designing a new web page that will be rolled out in the fall of 2013. IFTA, Inc. is also working on consolidating the passwords so that those with multiple accounts and connections can manage their login with just one password and not having to manage multiple account passwords. The various levels were reviewed. It was explained that Level 6 is the Commissioner access all, Level 5 has limited authority but cannot vote. As the levels progress down to the first level there is less authority and more access restrictions. Level 1 is the General Level where employees would have, at minimum, read only access to all information posted on the website.

Closing Remarks
Following the conclusion of the business discussions, Mrs. Platt again recognized the Nevada Department of Motor Vehicles and the support staff that assisted with hosting the business meeting. Mrs. Platt also acknowledged the three sponsors: Celtic Systems, Fast Enterprises and Xerox. With no additional business being requested from membership Mrs. Platt asked for a motion to adjourn the business meeting.

Adjournment
Motion: Mr. Meagher moved to adjourn the 30th annual IFTA Business Meeting. Mr. Hinkley seconded the motion. The motion passed.
BYLAWS OF THE INTERNATIONAL FUEL TAX ASSOCIATION, INC.

An Arizona Nonprofit Corporation

Article One - Offices

The principal office of the International Fuel Tax Association, Inc. (hereinafter referred to as "IFTA, Inc.") in the State of Arizona is located in the City of Chandler, County of Maricopa. IFTA, Inc. may have such other offices, either within or out of the State of Arizona as may be necessary to conduct the business of the corporation. The principal office of IFTA, Inc. may be changed from time to time in the manner provided in the Arizona Revised Statutes and without amending the Articles of Incorporation.

Article Two - Membership

Section 1. Eligibility and Requirements. Membership in IFTA, Inc. shall be open to any state of the United States of America, the District of Columbia, any province or territory of Canada or a state of the United Mexican States. Any such entity desiring membership must submit an application to IFTA, Inc. The application must be in accordance with Article XIV of the International Fuel Tax Agreement (hereinafter referred to as the “Agreement”). All members must pay the annual membership fee adopted at an annual meeting of IFTA, Inc. and required by the Agreement. Continued membership in IFTA, Inc. is contingent upon compliance with all terms of the Agreement.

Section 2. Expulsion. Any member failing to properly comply with the terms of the Agreement may be expelled as provided in Article XV of the Agreement.

Section 3. Withdrawal. Any member may withdraw from IFTA, Inc. upon compliance with Article XIV of the Agreement.
Article Three - General Membership Meetings

Section 1. Quorum. A two-thirds majority of the active member jurisdictions of IFTA, Inc. shall constitute a quorum. A quorum is required to conduct the business of IFTA, Inc. at a meeting of the members of the corporation. For the purposes of determining whether a quorum is established, active member jurisdictions present and/or represented by proxy shall be considered present at the meeting.

Section 2. Annual Meeting. An annual meeting of the members of IFTA, Inc. shall be held once each year for the purpose of electing Trustees to the Board of Trustees (hereinafter referred to as the “Board”) and for the transaction of such other business as may come before the meeting. The annual meeting shall be held at such time and place as determined by the Board.

Section 3. Special Meetings. Special meetings of the members of IFTA, Inc. may be called by the Board. Such meetings shall be held at such time and place as determined by the Board.

Section 4. Notice of Meetings. Written notice stating the place, day, and hour of any meeting of the members of IFTA, Inc. shall be delivered by mail to each member entitled to vote at such meeting, not less than ten days before the date of such meeting. In the case of a special meeting, the notice shall contain a statement of the purpose of the meeting. Notice shall be deemed delivered on the date that same is deposited in the national post office of the country of origin of the notice addressed to the members at the address last appearing in the records of IFTA, Inc., with postage thereon prepaid.

Section 5. Voting Rights. Each active member jurisdiction of IFTA, Inc. shall be entitled to one vote on each matter submitted to a vote of the members at a meeting, except for a vote to elect Trustees to the Board, and on such votes each active member jurisdiction shall have one vote for each Trustee to be elected. Each active member jurisdiction shall use all votes available to it when electing Trustees, but may not use more than one vote for a single candidate. A simple majority of active member jurisdictions is required to elect a trustee to the board. Each active member jurisdiction may cast their vote by an authorized representative in person, or by proxy.
Article Four - Board of Trustees

Section 1. General Powers. The affairs of IFTA, Inc. shall be managed by the Board.

Section 2. Number and Tenure. There shall be nine Trustees on the Board. The term of office for a Trustee shall be two years, with five Trustees elected in years ending in an odd number and the other four Trustees elected in years ending in an even number, so as to provide for staggered terms of the Trustees. No Trustee may serve more than three complete two-year consecutive terms.

Section 3. Qualifications and Requirements. Any commissioner of a member jurisdiction, or their designee, is eligible to serve as a Trustee. However, at least one Trustee shall be from each of the five geographic regions outlined in these bylaws (see Appendix A). No more than two-three trustees shall be from a single geographic region with the region represented by one trustee rotating among the geographical regions in a fair and equitable manner. At least one Trustee shall be a member where fuel taxes are administered by a tax or revenue department, and at least one Trustee shall be a member where fuel taxes are administered by a department of transportation or department of motor vehicles. At least one Trustee shall be a woman or minority. A single Trustee on the Board may satisfy more than one criterion.

Section 4. Regular Meetings. The Board shall meet each calendar quarter unless the President of IFTA, Inc. determines otherwise. These meetings shall be at such times and at such places as designated by the President of IFTA, Inc.

The first regular annual meeting of the Board shall be the second meeting of the Board held after the annual meeting of IFTA, Inc. The purpose of this meeting will be to elect officers of IFTA, Inc., in addition to such other business as may come before the Board at said meeting. The Board may provide by resolution for the time and place of the regular annual meeting and such additional regular meetings of the Board necessary to manage the business of IFTA, Inc. without any notice other than such resolution.

Section 5. Special Meetings. Special meetings of the Board may be called by the President of IFTA, Inc. The time and place of special meetings shall be fixed by the President, and if desirable, may be held via teleconference and/or e-mail.
Section 6. Notice. Notice of any special meeting of the Board shall be given at least two days prior to the meeting if sent via facsimile or e-mail, or seven days prior if sent via the national post office of the country of origin of the notice. Notice shall be deemed delivered on the day of the facsimile or e-mail transmission or the day same is deposited in the mail with prepaid postage. Any Trustee may waive notice of a meeting. The attendance of a Trustee at a meeting shall constitute a waiver of notice of such meeting, unless said Trustee appears solely to object to the transaction of business at the meeting due to improper notice and also refuses to take part in any of the business transacted at such meeting because of the improper notice.

Section 7. Quorum. A two-thirds majority of the Trustees shall constitute a quorum for the transaction of business at any meeting of the Board; but, if less than a two-thirds majority of the Trustees are present at a meeting, a majority of the Trustees present may adjourn the meeting from time to time without providing any further notice of said meeting.

Any one or more members of the Board may participate in a meeting of the Board by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can communicate with each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

Section 8. Voting Rights. Each Trustee shall have one vote.

Section 9. Manner of Acting. Except as otherwise provided in these bylaws, the act of a two-thirds majority of the Trustees shall be the act of the Board. A Trustee present at a meeting of the Board at which action on any matter of IFTA, Inc. is taken shall be presumed to have assented to the action unless a dissent is entered in the minutes of the meeting, or unless a dissent has been filed with the Executive Director of IFTA, Inc. No Trustee who votes in favor of any action may file a dissent or have same entered in the minutes of the meeting.

Section 10. Vacancies

Full Term Vacancies - The President of IFTA, Inc. shall direct that nominations be sought from member jurisdictions for election to the Board. Nominations including those of trustees wishing re-election may be made prior to the annual meeting or from the floor at the Annual Business Meeting.
The President of IFTA Inc. shall each year establish an Election Committee consisting of the Trustees whose terms are not expiring. The Election Committee shall select a Chair. The duties of this committee are to ensure the Qualifications and Requirements set forth in Article Four, Section 3 herein are met, to ensure equitable geographic representation is maintained and to conduct the election at the Annual Business Meeting.

All nominees for the Board of Trustees will be voted upon by the member jurisdictions at the Annual Business meeting.

**Mid-term Vacancies** - Any mid-term vacancy occurring on the Board shall be filled by nominations from jurisdictions in the region in which the vacancy occurred.

a) If the vacancy is from a region having three members on the Board, nominations will first be sought from the region having only one representative on the Board. If no nominations are received, nominations will be sought from jurisdictions in all other geographic regions.

b) If the vacancy is from a region having two members on the Board, nominations will be sought from the jurisdictions in the region in which the vacancy occurred. If no nominations are received, nominations will be sought from the region having only one representative on the Board.

c) If the vacancy is from a region having one member on the Board, nominations will be sought from the jurisdictions in the region in which the vacancy occurred.

Nominations shall be received within 20 days of being solicited and commissioners from all member jurisdictions will have a further 20 days to vote. If only one nominee is received by the nomination deadline, the Board of Trustees may accept the nominee by acclamation. The nominees receiving the most votes or being named by acclamation will take a seat on the Board of Trustees effective with the next scheduled Board of Trustees meeting. A Trustee elected to fill a vacancy shall serve the unexpired term of his or her predecessor Trustee provided the vacancy occurred in the last 18 months of the term being vacated. A Trustee elected to fill a vacancy which occurred in the first six months of the vacated term will be considered to be serving her/his first two year term.
To expedite the replacement of mid-term vacancies, nominations and elections will be conducted using electronic means.

**Section 11* Standing Committees.** No member of the Board shall serve as the chair, vice-chair, or as a member of a Standing Committee established by the International Fuel Tax Agreement.

**Section 12. Resignation.** A Trustee who is absent from two consecutive board meetings shall have deemed to have resigned from the Board unless an absence is excused by a majority of the Board. A Trustee who has so resigned may be reappointed in accordance with Section 10 of this Article.
Article Five - Officers

Section 1. Titles and Duties. The officers of IFTA, Inc. shall be the President, the First Vice-President, the Second Vice-President, and the Secretary/Treasurer. The President shall be the principal executive officer of IFTA, Inc. The President shall preside at all meetings. The President shall prepare and present an annual report of the work of IFTA, Inc. to the members at the annual meeting. The President shall see that all books, reports, and certificates required by law are properly kept or filed. The President shall have such other powers that may be reasonably necessary to the performance of the office. The First Vice-President, the Second Vice-President, and the Secretary/Treasurer shall perform such duties as the President may from time to time assign or delegate to them.

Section 2. Election and Term of Office. The President, First Vice-President, and the Second Vice-President shall be elected by majority vote of the Trustees. Only Trustees shall be eligible to be President, First Vice-President, and the Second Vice-President. The Executive Director of IFTA, Inc. shall be appointed by the Board to serve as Secretary/Treasurer. The Executive Director of IFTA, Inc. shall be an ex officio member of the Board with no voting rights. The President, First Vice-President, and the Second Vice-President shall serve a one year term, but may serve more than one term. The Secretary/Treasurer shall serve as long as that person remains Executive Director of IFTA, Inc.

Section 3. Vacancies. Should the office of President become vacant, the First Vice-President shall fill the vacancy. Should the office of First Vice-President become vacant, the Second Vice-President shall fill the vacancy. A vacancy in the office of Second Vice-President shall be filled by a two-thirds majority vote of the remaining Trustees. Should the office of Secretary/Treasurer become vacant, the Board shall appoint the incoming Executive Director of IFTA, Inc. to fill the vacancy. Officers who fill vacancies shall serve the unexpired portion of the term of the predecessor in that office.

Section 4. Resignation. The President, First Vice-President, and Second Vice-President may resign from the office without having to resign from the Board.

Section 5. Compensation. The President, First Vice-President, and Second Vice-President shall not, by virtue of the office, be entitled to receive any salary or compensation from IFTA, Inc., but nothing shall be construed to prevent any officer from receiving reimbursement for
any expenses incurred on behalf of IFTA, Inc. The Secretary/Treasurer shall not be entitled to any compensation from IFTA, Inc. by virtue of the office, other than that paid as salary and benefits to the Executive Director of IFTA, Inc. No reimbursement for expenses shall be paid to the President, First Vice-President, and the Second Vice-President unless approved by the Board by a two-thirds majority vote. No reimbursement for expenses shall be paid to the Secretary/Treasurer unless approved by a majority of the Executive Committee.

**Article Six – Committees**

**Section 1. Executive Committee.** The President, First Vice-President, and Second Vice-President shall constitute the Executive Committee. The Executive Committee shall have such powers and duties as assigned to it by a two-thirds majority vote of the Trustees.

**Section 2. Agreement Procedures Committee.** The Agreement Procedures Committee shall have the responsibility of maintaining the Articles of Agreement and the Procedures Manual, and such other responsibilities assigned to it by the Board. In discharging these responsibilities, the Agreement Procedures Committee shall seek input from the Audit Committee, Law Enforcement Committee, Program Compliance Review Committee, and the Industry Advisory Committee. The President, with the approval of the Board, shall appoint an Agreement Procedures Committee Chair. The chair shall select the committee members to serve on the Agreement Procedures Committee, subject to approval by the Board. The committee members shall be selected from the membership of IFTA, Inc.

**Section 3. Audit Committee.** The Audit Committee has the responsibility for the Audit Manual, and such other responsibilities assigned to it by the Board. In discharging these responsibilities, the Audit Committee shall seek input from the Agreement Procedures Committee, Law Enforcement Committee, Program Compliance Review Committee, and the Industry Advisory Committee. The President, with the approval of the Board, shall appoint an Audit Committee Chair. The Chair shall select the committee members to serve on the Audit Committee, subject to approval by the Board. The committee members shall be selected from the membership of IFTA, Inc.

**Section 4. Industry Advisory Committee.** The Industry Advisory Committee has the responsibility of advising the Agreement Procedures Committee, Audit Committee, Law
enforcement Committee, and Program Compliance Review Committee, as well as such other responsibilities assigned to it by the Board. The President, with the approval of the Board, shall appoint an Industry Advisory Committee Chair. The Chair shall select the committee members to serve on the Industry Advisory Committee, subject to approval by the Board. The committee members shall be selected from the Industry representatives who have expressed an interest in working with the Board.

Section 5. Law Enforcement Committee. The Law Enforcement Committee has the responsibility of advising the IFTA membership regarding law enforcement matters, and such other responsibilities as specified in the International Fuel Tax Agreement or assigned to it by the Board. In discharging these responsibilities, the Law Enforcement Committee shall seek input from the Agreement Procedures Committee, the Audit Committee, the Program Compliance Review Committee, and the Industry Advisory Committee. The President, with the approval of the Board shall appoint a Law Enforcement Committee Chair. The Chair shall select the committee members to serve on the Law Enforcement Committee, subject to approval by the Board. The committee members shall be selected from the membership of IFTA, Inc.

Section 6. Program Compliance Review Committee. The Program Compliance Committee has the responsibility of maintaining the IFTA Program Compliance Review Guide, establishing and maintaining a pool of qualified individuals to conduct compliance reviews, reviewing all program compliance review reports to determine any needs for reassessment, to make findings of compliance or non-compliance, and such other responsibilities as specified in the International Fuel Tax Agreement or assigned to them by the Board. In discharging these responsibilities, the Program Compliance Review Committee shall seek input from the Agreement Procedures Committee, the Audit Committee, the Law Enforcement Committee, and the Industry Advisory Committee. The President, with the approval of the Board, shall appoint a Program Compliance Review Committee Chair. The Chair shall select the committee members to serve on the Program Compliance Review Committee, subject to approval by the Board. The committee members shall be selected from the members of IFTA, Inc.

Section 7. Dispute Resolution Committee. The Dispute Resolution Committee has the responsibility for hearing disputes pursuant to the IFTA Dispute Resolution Process. The Dispute
Resolution Committee facilitates dispute resolution in a fair, impartial, effective, and expeditious manner. The President, with the approval of the Board shall appoint a Dispute Resolution Committee Chair. The Chair shall select the committee members to serve on the Dispute Resolution Committee, subject to approval by the Board. The committee members shall be selected from the members of IFTA, Inc. and the Industry Advisory Committee as set forth in the Dispute Resolution Committee Charter approved by the Board.

Section 8. Information Technology Advisory Committee. The Information Technology Advisory Committee has the responsibility of advising the Board and IFTA member jurisdictions of proposed IT solutions that will improve the administration of IFTA. In discharging these responsibilities, the Information Technology Advisory Committee shall seek input from the Agreement Procedures Committee, the Audit Committee, the Clearinghouse Advisory Committee, the Industry Advisory Committee, and others as appropriate. The President, with the approval of the Board shall appoint an Information Technology Advisory Committee Chair. The Chair shall select the committee members to serve on the Information Technology Advisory Committee, subject to approval by the Board. The committee members shall be selected from the membership of IFTA, Inc.

Section 9. Other Committees. The President, with the approval of the Board, may establish such other committees as from time to time are deemed necessary or desirable, and may, with the approval of the Board, appoint Chairs to such Committees.

Article Seven - Employees

The Board may hire and fix the compensation and fringe benefits of any and all employees which they may, in their discretion, determine to be necessary to conduct the business of IFTA, Inc.

Article Eight - Contracts, Loans, Checks, and Deposits

Section 1. Contracts. The Board may authorize any officer to enter into any contract or execute and deliver any instrument in the name of and on behalf of IFTA, Inc. and such authority may be general or confined to specific instances.
Section 2. Loans. No loans shall be contracted on behalf of IFTA, Inc. and no evidence of indebtedness shall be issued in its name unless authorized by the Board. Such authority may be general or confined to specific instances.

Section 3. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of IFTA, Inc. shall be signed by such officers or agents of the corporation and in such manner as shall from time to time be determined by the Board.

Section 4. Deposits. All funds of IFTA, Inc. not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies, or other depositories as the Board may select.

Article Nine - Definitions and Waiver of Notice

Section 1. Definitions. Except as provided by Article Three – Section 5, when the term majority is used in these bylaws it shall mean a two-thirds majority of the active member jurisdictions when referring to votes of members or a two-thirds majority of the Trustees, unless otherwise specified, when referring to votes on the Board. Any other terms used in these bylaws, not defined herein, shall have the same meaning as provided in the Agreement if the terms are defined therein.

Section 2. Waiver of Notice. When any notice is required to be given under these bylaws, a waiver thereof, in writing, signed by the member or Trustee entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of proper notice.
IFTA FULL TRACK PRELIMINARY BALLOT PROPOSAL
FTPBP #1-2014

Sponsor
IFTA Program Compliance Review Committee

Date Submitted
April 1, 2014

Proposed Effective Date
January 1, 2016

Manual Sections to be Amended
(IJanuary 1996 Version, Effective July 1, 1998, as revised)
IFTA Articles of Agreement R1510 CONDITIONS FOR MEMBERSHIP
IFTA Procedures Manual P910 LICENSEE RECORDS

Subject
Reduce the IFTA program compliance review cycle from five (5) years to four (4) years.

History/Digest
One of the goals on the IFTA, Inc. Strategic Plan is to promote confidence and stability through partnerships with jurisdictions, industries, and governments. One suggestion in the Strategic Plan was to perform combined IFTA Program Compliance Reviews and IRP Peer Reviews. Since IRP Peer Reviews are completed on a five year cycle it was decided to change the IFTA Compliance Review cycle to five years to allow for the combined reviews. IFTA membership was presented and passed Ballot #2-2009 with the intent of being able to perform combined IFTA Program Compliance and IRP Peer Reviews.

With the passing of Ballot STFBP #2-2009 the IFTA Program Compliance Review cycle changed from four (4) years to five (5) years to allow IFTA Program Compliance Reviews and IRP Peer Reviews to be completed as combined reviews in the jurisdictions desiring them.

IFTA switched to a five (5) year review cycle but still maintained the four regions for each annual review and used the fifth year of the review cycle as a no-review year.

However, after Ballot #2-2009 passed there were changes required to the IRP to facilitate the use of combined reviews. The needed changes have not taken place and there are no plans for future discussions on this issue.
March 11, 2013 the IFTA, Inc. Board of Trustees made a Charge to the Program Compliance Review Committee to complete a comprehensive review of the On-Site and E-Review processes. The goal was to determine if the review process should be modified to better serve the membership in today's environment.

On June 25 & 26, 2013 a sub-committee of the Program Compliance Review Committee met in Chandler, AZ to discuss the charge from the IFTA Board of Trustees. One of the key early points of discussion was that since the combined reviews are not happening as intended when this concept was first brought up over five years ago, the Membership would be better served going back to the quicker four year review cycle.

**Intent**

This proposed ballot would promote compliance with the IFTA by reducing the IFTA program compliance review cycle to four (4) years.
R1500 MEMBERSHIP

*R1510 CONDITIONS FOR MEMBERSHIP

The applicant shall agree to abide by all terms, conditions, and requirements of the Articles of Agreement, Procedures Manual, Audit Manual and the Bylaws of the Association and to:

[SECTION R1510.100 REMAINS UNCHANGED.]

.200 Submit to a program compliance review to determine compliance with the Agreement. Such review shall be performed after one year of implementation and once every four five years thereafter unless a review is ordered as prescribed by this Agreement; and

[SECTION R1510.300 REMAINS UNCHANGED.]

P900 BASE JURISDICTION RECORDKEEPING

*P910 LICENSEE RECORDS

The base jurisdiction shall maintain fuel tax records for licensees based in that jurisdiction for a period of four five years or until they have been examined as part of a Program Compliance Review and the Final Report has been issued, whichever is later. The records shall contain, but not be limited to, the following:

.050 Tax returns;

.100 Applications;

.150 Audit files;

.200 Refund requests;

.250 Notifications issued for debit or credit balances by the base jurisdiction;

.300 Payments of taxes made to the base jurisdiction;

.350 Funds received from and transmitted to other jurisdictions. Such records shall identify licensees and remittances from each licensee;

.400 Cancellation of licensee requests;

.450 Requests for hearing to resolve assessments made by the base jurisdiction;

.500 Results of administrative hearing process;

NO REVISIONS FOLLOWING THE FIRST COMMENT PERIOD
Support: 12  
Oppose: 20  
Undecided: 7

ALABAMA  
Oppose

Alabama prefers that IFTA and IRP peer reviews be conducted at the same time. This is a more efficient use of human resources.

ALBERTA  
Oppose

Alberta prefers to leave the compliance review period as is since it results in less administrative burden on the jurisdictions.

ARIZONA  
Oppose

Arizona agrees with New Hampshire's comments.

BRITISH COLUMBIA  
Support

CONNECTICUT  
Support

We support this ballot but believe New Hampshire’s comments are worthy of research. Perhaps IFTA can look at jurisdictions that are compliant with all cited articles in R1555 as being entitled to a five year review period, whereas jurisdictions found to be in violation of the articles contained in R1555 should be required to undergo more frequent reviews.

IDAHO  
Oppose

ILLINOIS  
Support

IOWA  
Undecided

Having the IRP & IFTA review cycle consistent is preferable, so I would oppose this ballot. The Board tasked the committee to determine if the “review process” should be modified to better serve the membership. It’s not clear in this ballot, how moving back to the 4 year cycle will accomplish this?
KANSAS
Oppose

Kansas understands the need for the Compliance Reviews - However changing the review period to 4 years would create additional administrative burden.

KENTUCKY
Oppose

MAINE
Support

MANITOBA
Undecided

MARYLAND
Support

MASSACHUSETTS
Oppose

MICHIGAN
Oppose

MINNESOTA
Oppose

Rather than change the compliance review years, Minnesota feels it may be beneficial for the membership to consider evaluating the value of the compliance review program as it exists today. This may be an opportunity to revise the program due to the electronic transmittal of funds and audits. We now have the ability to quickly identify transmittal noncompliance, fuel tax rates, number of audits and each jurisdiction reviews of audits conducted on their behalf. The review can be continual for all jurisdictions in many of the compliance areas. Jurisdictions found in noncompliance to critical compliance requirements could be reviewed more often vs waiting for the 5 year cycle.

MISSOURI
Support

Missouri supports. Since IRP was unable to pass language for joint IRP/IFTA reviews, changing the cycle back to a four year cycle allows PCRC to promote compliance in a more timely manner.

MONTANA
Oppose

A five year cycle is adequate to ensure compliance. Continue to work on aligning IRP and IFTA peer review cycles.
NEBRASKA
Undecided

Nebraska can see benefits to both leaving the cycle as is - for example, the 5th year non-review year provides an opportunity for the PCRC to finalize any reviews from the previous years and begin a new cycle with a clean slate.

However, if the PCRC committee feels that returning to a 4-year cycle which aligns with the 4 regions provides a greater benefit, we would be okay with that.

NEVADA
Support

Although Nevada supports reducing the compliance review cycle back to 4 years, we also agree with the comments from MN and OK; and believe there are more rapid and efficient ways to address jurisdictional non-compliance and it should be considered in the near future.

NEW BRUNSWICK
Oppose

NEW HAMPSHIRE
Oppose

New Hampshire is opposed on this ballot. It allows the PCRC to review jurisdictions to determine non-compliance in a more timely manner. However, I would propose risk based approach. Jurisdictions with a good to excellent compliance reviews be allowed to stay at five years while jurisdictions with poor or critical compliance reviews go to a three year compliance review. By making everyone go to four years it seems like you are penalizing the jurisdictions with good compliance reviews.

NEW JERSEY
Oppose

NEW MEXICO
Oppose

It should be left as is.

NEW YORK
Support

NEWFOUNDLAND
Oppose

In agreement with New Hampshires comments. Audits should be selected based on risk as opposed to a strict time schedule

NORTH CAROLINA
Support
NOVA SCOTIA
Undecided

We are of mixed opinion on this ballot. On one hand we support the 5 year cycle to be consistent with IRP and to avoid concentrating on just IRP or IFTA audits at then end of a cycle. Having said that, we are also concerned that 5 years is too long a period of time in which to identify a non-compliant jurisdiction. In reality it might be 8 years or more before action is taken by the non-compliant jurisdiction to correct it’s deficiencies. And I suggest the biggest concern is about a jurisdiction that is not meeting it’s 3% audit requirement. An amendment that would trigger a review of a jurisdiction after two successive years of not meeting their 3% target might address the concerns. This review would only be concerned with the audit % requirement and would force a jurisdiction to demonstrate corrective action on this sooner rather than later.

OKLAHOMA
Undecided

Rather than changing the review cycle back to 4 years, I would rather see the PCRC work on developing methods (probably needs to be balloted) to use the Clearinghouse and other data sources to make compliance review a more continual process. For example, if a jurisdiction is perpetually late funding there obligations or conducting their fair share of audits, why should the rest of the jurisdictions have to wait years for that to be formally dealt with?

ONTARIO
Support

OREGON
Oppose

In general, I oppose changing back. For the most part, Oregon conducts IFTA and IRP audits together, and maintaining a 5 year review period for both enables us to balance the audit requirements from year to year. If IFTA’s review was 4 years and IRP’s 5, we may end up having to conduct IFTA-only or IRP-only audits if running behind the required audit requirement.

PENNSYLVANIA
Support

Pennsylvania supports the 4 year compliance review.

QUEBEC
Oppose

With the electronic audit, Quebec has hard time scanning the documents and feeding them to IFTA Inc. It takes a lot of time to do that. We should leave them to 5 years.

RHODE ISLAND
Oppose

Rhode Island would prefer to leave the review cycle as it is.
SASKATCHEWAN
Oppose

Saskatchewan agrees with Alberta's comments.

TENNESSEE
Undecided

The administration side supports this ballot.

Our audit side has the following comments: I think the five-year cycle for Peer Reviews should remain the same. Since reducing them to a four-year period would increase the frequency of gathering records to present to the Peer Review Team, as well as, the additional time dedicated to the new proposed cycle.

UTAH
Oppose

Utah is a combined shop, we would prefer to have the opportunity to have a joint IFTA/IRP audit.

WASHINGTON
Undecided

WEST VIRGINIA
Support

I can support the ballot but I would prefer both IFTA and IRP peer reviews to be conducted at the same time.
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IFTA FULL TRACK PRELIMINARY BALLOT PROPOSAL
FTPBP #2-2014

Sponsor
IFTA Program Compliance Review Committee

Date Submitted
April 10, 2014

Proposed Effective Date
Upon passage

Manual Sections to be Amended
IFTA Articles of Agreement
R1555 Compliance Matters

Subject
Disputes initiated by the Program Compliance Review Committee from findings of non-compliance in program compliance reviews.

History/Digest

When ballot #1-2009 passed it amended the IFTA Articles of Agreement to require the PCRC to recommend to the membership that a dispute be initiated against a member jurisdiction that: 1) has been found non-compliant on the subject articles of the governing documents following completion of the Program Compliance Review Process, including a follow-up and/or reassessment; and 2) has been issued a Final Determination Finding of Non-Compliance by the PCRC. Membership approved disputable items in R1555 to be R970, R1210, R1230, R1260, R1270, P1040, A310, A320, and A690.

Subsequently, the Program Compliance Review Committee was charged by the IFTA, Inc. Board of Trustees to complete a comprehensive review of the compliance review processes. The goal was to determine if the review process should be modified to better serve the membership in today's environment.

A sub-committee meeting of the Program Compliance Review Committee met in Chandler, AZ to discuss the charge by the IFTA Board of Directors. One point of discussion was to determine if the scope of the language in R1555 was adequate or needed to be expanded or narrowed based on the charge by the Board to the committee.

The sub-committee concluded that adding two sections to R1555 would help to better meet IFTA, Inc.'s Mission Statement and Goals. Adding R360 PROVIDING INFORMATION TO LICENSEES, the IFTA jurisdictions would be reviewed to their responsibility to notify their licensees of all the current and amended requirements of IFTA. The PCRC wants to continue to keep Providing Information To Licensees a priority in the future as it pertains to R360.100 through R360.500 and amendments to the
governing documents. Adding R1310 LICENSEE AUDITS, would allow the PCR’s to monitor one of the core beliefs of IFTA audits; auditing on behalf of all member jurisdictions and the audits completed determine if a carrier is compliant with not only the base jurisdiction’s tax reporting requirement, but for all jurisdictions operated in.

The IFTA is a fluent ever-changing document and a jurisdiction’s carriers must be kept informed of the requirements now and in the future.

**Intent**

The intent of this ballot is to amend the IFTA Articles of Agreement to require the PCRC to recommend to the membership that a dispute be initiated against a member jurisdiction that: 1) has been found non-compliant on the subject of Providing Information to Licensees by not providing complete and current information to licensees; and 2) has been found non-compliant on the subject of Licensee Audits by not auditing on behalf of all member jurisdictions.

In addition to this ballot, the PCRC will present to membership for approval an updated and streamlined Program Compliance Review Guide where reviews would focus on those specific sections found in R1555 that the membership felt were disputable. Each of the Sections outlined in the proposed R1555 are measurable and are currently reviewed by the PCR teams.
ARTICLES OF AGREEMENT

R1500 MEMBERSHIP

[SECTIONS R1505 THROUGH R1550 REMAIN UNCHANGED]

R1555 COMPLIANCE MATTERS

.100 Dispute Resolution Process

Disputes concerning issues of compliance with the International Fuel Tax Agreement may be resolved pursuant to the IFTA Dispute Resolution Process. The IFTA Dispute Resolution Process may be utilized to resolve only:

.005 Compliance disputes between member jurisdictions;

.010 Compliance disputes between member jurisdictions and IFTA licensees in those matters where no administrative remedy to the IFTA licensee is available within the member jurisdiction involved in the dispute. Compliance disputes subject to this section shall not include disputes between member jurisdictions and IFTA licensees over matters of substantive jurisdiction law, including but not limited to, laws governing the imposition, assessment, and collection of jurisdiction motor fuel use taxes collected pursuant to the International Fuel Tax Agreement; and

.015 Compliance matters where (i) the Program Compliance Review Process, including follow-up and/or reassessment, has been completed; (ii) a Final Determination Finding of Non-Compliance has been issued by the Program Compliance Review Committee related to Sections R360, R970, R1210, R1230, R1260, R1270, R1310, P1040, A310, A320, or A690; and (iii) a recommendation for initiation of a dispute from the Program Compliance Review Committee has been approved by the member jurisdictions as defined in Article R1555.300.

.200 Submission of a Final Determination Finding of Non-Compliance to the Membership

A Final Determination Finding of Non-Compliance issued by the Program Compliance Review Committee related to Sections R360, R970, R1210, R1230, R1260, R1270, R1310, P1040, A310, A320, or A690 shall be submitted to the membership to determine whether a dispute will be initiated.

[SUB-SECTIONS .300 AND .400 REMAIN UNCHANGED]
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Support: 23  
Oppose: 10  
Undecided: 6

ALABAMA  
Support

ALBERTA  
Undecided

Agree with Oregon and Nova Scotia's comments.

ARIZONA  
Support

BRITISH COLUMBIA  
Support

CONNECTICUT  
Oppose

While we do believe that keeping licensees informed is important, we question whether it is a critical component of administering taxes on behalf of fellow member jurisdictions. Since non-compliance with the articles cited in R1555 could lead to the expulsion of a member, we question whether that is what the sponsor intended. Implementation of this language could lead to unintended consequences. We could support this ballot if the reference to R360 was removed.

IDAHO  
Support

ILLINOIS  
Support

IOWA  
Oppose

Oppose as written – Section R360 is clear and specific on the items of non-compliance, however Section R1310 is not and is wide open to interpretation. I suggest they clarify R1310 to include more specifics or omit it from this ballot at this time.

KANSAS  
Undecided

Kansas agrees with Oregon's comments.

KENTUCKY  
Support

MAINE  
Support
MANITOBA
Support

MARYLAND
Oppose

Maryland is concerned with the potential increased responsibility to notify carriers with any changes. This ballot would likely add to paper fulfillment obligations which are already excessive and financially burdensome.

MASSACHUSETTS
Oppose

MICHIGAN
Undecided

MINNESOTA
Support

These two areas R360 and R1310 are broad provisions, which are subject to different interpretations. These requirements are not defined because they are difficult to define. The finding is based on information found during the review leading to a decision based on judgment and discretion. Minnesota feels and trusts the dispute resolutions process gives all parties their due process.

MISSOURI
Support

Missouri supports. Proposed language to amend R1555 supports a charge by the Board to strengthen the compliance review process.

MONTANA
Support

NEBRASKA
Support

Although the inclusion of such broad provisions of the agreement, (R360 and R1310) is worrisome, Nebraska trusts that the entire process will provide the appropriate due process for the jurisdictions.

NEVADA
Support

Nevada believes if a section of the Agreement requires a jurisdiction to complete a function by using the words "must" or "shall" the jurisdiction should be held accountable if it is not done. Therefore, if it is a requirement, it should also be eligible for submission to the DRC if continued non-compliance remains. This ballot is not adding requirements to jurisdictions, it is only making these infractions subject to DRC action when non-compliance is not corrected.

NEW BRUNSWICK
Support
NEW HAMPSHIRE
Oppose

NEW JERSEY
Oppose

I am in agreement with the comments posted by both Connecticut and Oregon.

NEW MEXICO
Support

NEW YORK
Oppose

The phrase "not auditing on behalf of all member jurisdictions" needs to be expanded upon to provide more clarity as to the committee's intent.

NEWFOUNDLAND
Support

NORTH CAROLINA
Oppose

It appears that some of the measures in R1555 could be subjective and subject to different interpretations.

NOVA SCOTIA
Undecided

We agree with Oregon's comments and believe what constitutes "not auditing on behalf of all member jurisdictions" requires clarification.

OKLAHOMA
Undecided

I am not sure what problem we are trying to solve here. I understand and appreciate the PCRC's effort but would like more information about how some jurisdictions lack of compliance with R360 is effecting tax payments to the jurisdictions.

I also agree with other comments about including Section R1310 in R1555. "Auditing on behalf of all jurisdictions" is a subjective term that could cover a vast range of issues. This has the potential to call everything about a jurisdictions audit program into question.

ONTARIO
Support
OREGON
Undecided

I recommend a No vote unless they define what they will use as criteria in judging whether a jurisdiction is “auditing on behalf of all member jurisdictions” and that we agree that it is a reasonable definition.

PENNSYLVANIA
Oppose

Agree that the definition of "not auditing on behalf of all member jurisdictions" is too subjective. Further, this seems like a solution in search of a problem.

QUEBEC
Support

RHODE ISLAND
Support

SASKATCHEWAN
Support

TENNESSEE
Support

UTAH
Oppose

This language is not specific enough to avoid more confusion.

WASHINGTON
Support

WEST VIRGINIA
Support

I agree. Jurisdictions should be required to provide licensees with complete and current info and all audits should be conducted on behalf of all jurisdictions.
IFTA FULL TRACK PRELIMINARY BALLOT PROPOSAL
#03-2014

Sponsor
IFTA Audit Committee

Date Submitted
July 8, 2014

Proposed Effective Date
January 1, 2016

Manual Sections to be Amended

Articles of Agreement
R247  Records
R305  Licensing Requirement
R700  Records Requirements (P500 and P600 modified and moved here)
R710  Retention and Availability of Records
R720  Burden of Proof
R730  Adequacy of Records
R740  Distance Records
R750  Fuel Records
R760  Summaries
R770  Inadequate Records
R1000 Tax Paid Purchases
R1320 Unlicensed Carrier Audits
R1330 Audit Requirements
R1340 Audit Manual
R1350 Review/Revision of Audit Requirements
R1370 Joint Audits

Audit Manual
A100  Introduction
A200  General Standards
A220  Examinations Standards
A230  Reporting Standard
A300  IFTA Auditing Standards
A310  Number of Audits
Changes are proposed for the Articles of Agreement, Audit Manual, and Procedures Manual.

**History/Digest**

This ballot proposal is being made to address:

1. Technological advances in the generation of records for Licensee operations. An increased reliance on electronic systems and their configuration have made many of the requirements contained in P500 and P600 obsolete. IRP requirements have been changed to address this fact. An effort has been made to match these requirements in regard to distance records.

2. Licensee requirements currently located in the Procedures Manual are moved to the Articles of Agreement. Licensee’s will have a single document to reference their responsibilities and if selected for audit they can reference the Audit Manual to familiarize themselves with the audit process.

3. The Audit Manual has been updated to only include the member jurisdiction requirements for which they will be held accountable during Program Compliance Reviews. Items that are not requirements are moved to the Best Practices Guide. The use of “must” and “should” are introduced where “must” is an absolute requirement while “should” is a requirement that if not
fulfilled requires documentation of why the action could not take place.

**Intent**

To provide distance reporting requirements for IFTA that address technological advances in the recording of qualified motor vehicle travel. Clarify requirements on licensees and jurisdictions by reorganizing authoritative documents and eliminating superfluous information.

**Interlining Indicates Deletion; Underlining Indicates Addition**

**R247** Records 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.

**R305** LICENSING REQUIREMENT

Any person based in a member jurisdiction operating a qualified motor vehicle(s) in two or more member jurisdictions is required to license under this Agreement, except as indicated in IFTA Articles of Agreement Sections R310 and R500.

If a jurisdiction determines that a person required to become licensed under this Agreement has failed to do so, the jurisdiction is specifically authorized to assess and collect any and all fuel taxes due from such person for all member jurisdictions in accordance with IFTA Articles of Agreement Sections R1100 and R1200.

**R700** RECORDS REQUIREMENTS

Every licensee shall maintain records to substantiate information reported on the tax returns. Operational records shall be maintained or be made available for audit in the base jurisdiction. Recordkeeping requirements shall be specified in the IFTA Procedures Manual.

**R710** RETENTION AND AVAILABILITY OF RECORDS

A licensee shall retain the records on which each tax return of the licensee is based for a period of four years following the date the tax return was due or was filed, whichever is later, plus any period covered by waivers or jeopardy assessments.

On request, the licensee shall make such records available for audit to any member jurisdiction.

If the licensee's records are not maintained in the base jurisdiction and the base jurisdiction's auditors must travel to the location where records are maintained, the base jurisdiction may require the licensee to pay the base jurisdiction's reasonable per diem and travel expenses incurred by the auditor or auditors in performance of an audit.

A licensee must preserve all records used to prepare quarterly tax returns for any periods under audit in accordance with the laws of the Base Jurisdiction.

Following the expiration of the time within which an appeal or request for re-audit or reexamination may be filed under R1360 and R1390, and except in cases of fraud, the findings of an audit, re-audit, or reexamination shall be final as to all member jurisdictions and as to the licensee audited.
Unless a waiver of the statute of limitations is granted by the licensee, no assessment for
deficiency or any refund shall be made for any period for which the licensee is not required to
retain records. A licensee’s request for refund shall extend the period for which records
pertaining to the refund must be retained until the request is granted or denied.

R720 BURDEN OF PROOF

In an IFTA audit, the burden of proof shall be on the licensee. The audit will be completed using
the best information available to the base jurisdiction.

R730 ADEQUACY OF RECORDS

The records maintained by a licensee under this article shall be adequate to enable the base
jurisdiction to verify the distances traveled and fuel purchased by the licensee for the period
under audit and to evaluate the accuracy of the licensee’s distance and fuel accounting systems
for its fleet.

The adequacy of a licensee’s records is to be ascertained by the records’ sufficiency and
appropriateness. Sufficiency is a measure of the quantity of records produced; that is, whether
there are enough records to substantially document the operations of the licensee’s fleet. The
appropriateness of the records is a measure of their quality; that is, whether the records contain
the kind of information an auditor needs to audit the licensee for the purposes stated in the
preceding paragraph. Records that are sufficient and appropriate are to be deemed adequate.

Provided a licensee’s records are adequate under this definition, the records may be produced
through any means, and retained in any format or medium available to the licensee and
accessible by the base jurisdiction. 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.

Licensee records which do not contain all of the elements set out in R740, R750 and R760 may
still, depending on the sufficiency and appropriateness of the records and of the licensee’s
operations, be adequate for an audit.

R740 DISTANCE RECORDS

.100 Distance records produced by a means other than a vehicle-tracking system that contain
the following elements shall be accepted by the base jurisdiction as adequate under this
article:

.005 the beginning and ending dates of the trip to which the records pertain
.010 the origin and destination of the trip
.015 the route of travel
.020 the beginning and ending reading from the odometer, hubodometer, engine
control module (ECM), or any similar device for the trip
.025 the total distance of the trip
.030 the distance traveled in each jurisdiction during the trip
.035 the vehicle identification number or vehicle unit number

.200 Distance records produced wholly or partly by a vehicle-tracking system, including a
system based on a global positioning system (GPS):
.005 the original GPS or other location data for the vehicle to which the records pertain

.010 the date and time of each GPS or other system reading, at intervals sufficient to validate the total distance traveled in each jurisdiction

.015 the location of each GPS or other system reading

.020 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

.025 the calculated distance between each GPS or other system reading

.030 the route of the vehicle’s travel

.035 the total distance traveled by the vehicle

.040 the distance traveled in each jurisdiction

.045 the vehicle identification number or vehicle unit number

.300 A licensee’s reporting of distance may deviate slightly from a calendar quarter basis provided that:

.005 the beginning and ending dates of the licensee’s reported distance reflects a consistent cut-off procedure,

.010 the deviations do not materially affect the reporting of the licensee’s operations,

.015 the deviations do not materially delay the payment of taxes due,

.020 the cut off dates for both distance and fuel are the same, and

.025 the base jurisdiction can reconcile the reported distance for the period through audit.

R750 FUEL RECORDS

.100 The licensee shall maintain complete records of all motor fuel purchased, received, or used in the conduct of its business, and on request, produce these records for audit. The records shall be adequate for the auditor to verify the total amount of fuel placed into the licensee’s qualified motor vehicles, by fuel type.

.110 Retail fuel purchases include all those purchases where a licensee buys fuel from a retail station or a bulk storage facility that the licensee does not own, lease, or control.

.200 The base jurisdiction shall not accept, for purposes of allowing tax-paid credit, any fuel record that has been altered, indicates erasures, or is illegible, unless the licensee can demonstrate that the record is valid.

.210 The base jurisdiction shall not allow tax-paid credit for any fuel placed into a vehicle other than a qualified motor vehicle.

.220 The base jurisdiction shall not allow a licensee credit for tax paid on a retail fuel purchase unless the licensee produces, with respect to the purchase:

.005 a receipt, invoice, or transaction listing from the seller,

.010 a credit-card receipt,

.015 a transaction listing generated by a third party, or

.020 an electronic or digital record of an original receipt or invoice, and

.025 shows evidence of tax paid to the applicable jurisdiction or at the pump.

.300 For tax-paid credit, a valid retail receipt, invoice, or transaction listing must contain:
The licensee shall retain the following records for its bulk storage facilities:

- receipts for all deliveries
- quarterly inventory reconciliations for each tank
- the capacity of each tank
- bulk withdrawal records for every bulk tank at each location

The base jurisdiction shall not allow a licensee tax-paid credit for fuel withdrawn by the licensee from its bulk fuel storage facilities unless the licensee produces records that show:

- the purchase price of the fuel delivered into the bulk storage includes tax paid to the member jurisdiction where the bulk storage is located, or
- the licensee has paid fuel tax to the member jurisdiction where the bulk storage is located.

The licensee shall produce for audit records that contain the following elements for each withdrawal from its bulk storage facilities:

- the location of the bulk storage from which the withdrawal was made
- the date of the withdrawal
- the quantity of fuel withdrawn
- the type of fuel withdrawn
- the identification of the vehicle or equipment into which the fuel was placed

When alternative fuels are purchased or stored in bulk, these same requirements shall apply, in so far as they are practicable. In instances where, with respect to an alternative fuel, a licensee cannot practicably comply with these requirements, the licensee must maintain records that fully document its purchase, storage, and use of that alternative fuel.

No member jurisdiction shall require a licensee to produce evidence of fuel purchases beyond what is specified in this section.

Licensees shall not be required to submit proof of tax paid purchases with their tax returns.

A licensee’s reporting of fuel may deviate slightly from a calendar quarterly basis, provided that:
the beginning and ending dates of the licensee’s reported fuel reflects a consistent cut-off procedure,
the deviations do not materially affect the reporting of the licensee’s operations,
the deviations do not materially delay the payment of taxes due,
the cut-off dates are the same for distance and fuel, and
the base jurisdiction can reconcile the fuel reported in the period through audit.

R760 SUMMARIES

A summary of the fleet’s operations reported on the corresponding quarterly tax return that includes the distance traveled by and the fuel placed into each vehicle in the fleet during the quarter, both in total and by jurisdiction, may be necessary for the efficient audit of the licensee’s records. The licensee shall make such summaries available for audit upon due notice and demand by the base jurisdiction.

R770 INADEQUATE RECORDS; ASSESSMENT

If the base jurisdiction determines that the records produced by the licensee for audit do not, for the licensee’s fleet as a whole, meet the criterion for the adequacy of records set out in R730, or if, within 30 calendar days of the issuance of a written demand for records by the base jurisdiction, the licensee produces no records, the base jurisdiction shall:

- adjust the licensee’s reported fleet MPG to 4.00 or 1.70 KPL; or
- reduce the licensee’s reported MPG or KPL, by twenty percent.

The assessment described in this section is not to be imposed where the records available, even though they may be of poor or inconsistent quality, can be audited. Neither is an assessment to be imposed under this section where, although records pertaining to some individual qualified motor vehicles in a fleet are lacking or inadequate, the audit of the fleet as a whole can be performed.

This section does not affect the ability of a base jurisdiction to disallow tax-paid credit for fuel purchases which are inadequately documented, or, for cause, to suspend, revoke, or cancel the license issued to a licensee.

R1000 TAX PAID PURCHASES

To obtain credit for tax paid purchases, the licensee must retain a receipt, invoice, credit card receipt, or automated vendor generated invoice or transaction listing, showing evidence of such purchases and taxes paid. These records may be kept on microfilm, microfiche or other computerized or condensed record storage system which meets the legal requirement of the base jurisdiction. Licensees are not required to submit proof of tax paid purchases with their tax returns.

Receipts that have been altered or indicate erasures are not accepted for tax-paid credits unless the licensee can demonstrate the receipt is valid.

R1010 RETAIL FUEL PURCHASES

A licensee may claim a tax-paid credit on the IFTA tax return for fuel purchased...
245 at retail only when the fuel is placed into the fuel tank of a qualified motor vehicle
246 and the purchase price includes fuel tax paid to a member jurisdiction.
247
248 .200 The receipt must show evidence of tax paid directly to the applicable jurisdiction or
249 at the pump. Specific requirements for these receipts are outlined in the IFTA
250 Procedures Manual Section P560. No member jurisdiction shall require evidence of
251 such purchases beyond what is specified in the Procedures Manual.
252
253 .300 In the case of a lessee/lessor agreement, receipts for tax-paid purchases may be in
254 the name of either the lessee or the lessor provided a legal connection can be made
255 to the tax reporting party.
256
257 *R1020 BULK FUEL PURCHASES
258
259 .100 Storage fuel is normally delivered into fuel storage facilities by the licensee, and fuel
260 tax may or may not be paid at the time of delivery.
261
262 .200 A licensee may claim a tax-paid credit on the IFTA tax return for fuel withdrawn
263 from bulk storage only when the fuel is placed into the fuel tank of a qualified
264 motor vehicle; the bulk storage tank is owned, leased, or controlled by the
265 licensee; and either the purchase price of the fuel includes fuel tax paid to the
266 member jurisdiction where the bulk fuel storage tank is located or the licensee
267 has paid fuel tax to the member jurisdiction where the bulk fuel storage tank is
268 located.
269
270 .300 The licensee’s records must identify the quantity of fuel taken from the licensee’s
271 own bulk storage and placed in its qualified motor vehicles. Recordkeeping
272 requirements for tax-paid bulk fuel purchases are provided in IFTA Procedures
273 Manual Section P570.
274
275 R1320 UNLICENSED CARRIER AUDITS
276
277 If a jurisdiction determines through a fuel use tax audit that a person required to become licensed
278 with that jurisdiction under this Agreement has failed to do so, the jurisdiction is specifically
279 authorized to assess and collect any and all fuel taxes due from such person for all member
280 jurisdictions in accordance with IFTA Articles of Agreement Sections R1100 and R1200.
281
282 *R1320 AUDIT REQUIREMENTS
283
284 Audits conducted by member jurisdictions under this Article shall comply with all the requirements
286
287 *R1330 AUDIT REQUIREMENTS
288
289 Audits conducted by member jurisdictions shall be in compliance with all requirements established in
R1330 AUDIT MANUAL

The Audit Manual shall contain rules for the performance of audits conducted under this Agreement, and for the maintenance by member jurisdictions of an audit staff sufficient to perform such audits.

R1340 AUDIT MANUAL

The Audit Manual contains guidelines, forms, and audit methods which are in accordance with accepted audit practices, including criteria for sampling and selection procedures and audit file selection.

The guidelines will relate to various attributes that may be indicative of noncompliance. Proof of operation information, such as vehicle observations, enforcement citations, etc., from all member jurisdictions will be used by the base jurisdiction in testing audit attributes. This proof of operation information will also be used in motor carrier audits to determine if specific trips associated with such information are accounted for in carrier records.

R1350 REVIEW/REVISION OF AUDIT REQUIREMENTS

.100 The Audit Committee shall review the audit requirements of this Agreement at least once every three years.

.200 Proposed changes shall be subject to approval and adopted by the member jurisdictions in accordance with IFTA Articles of Agreement Section R1600.

.300 Changes to the Audit Manual shall not be effective with less than a one-year notification, unless unanimously approved for an earlier date.

R1350 JOINT AUDITS

An audit of a licensee may be conducted jointly by the base jurisdiction and one or more other member jurisdictions. In such cases, the base jurisdiction shall direct the conduct of the audit. Non-base jurisdictions are responsible for their own audit expenses. Each member jurisdiction that participates in a joint audit shall receive full credit under A250 for the performance of an audit.

R1370 JOINT AUDITS

In the event that the base jurisdiction requests assistance from other member jurisdictions in the conduct of an audit, all members participating in the audit shall receive credit toward achieving their audit requirements. In that event, the jurisdictions shall pay all the audit expenses.

R1370 AUDIT REPORTS

.100 Upon the completion of an audit, the base jurisdiction shall provide an audit report to the licensee and to all member jurisdictions in which the licensee reported or should have reported distance or fuel during the period covered by the audit. The time periods specified in Sections R1360 and R1390 shall begin on the date on which the base jurisdiction sends the audit report to the licensee.

.200 The base jurisdiction shall, on request, furnish copies of audit reports and audit work.
papers to another member jurisdiction. A copy of the audit report, work papers, supporting documentation and any pertinent post-audit communications must be maintained by the base jurisdiction as part of the audit file for the period set forth in P910.

Any schedules and worksheets used to support the audit findings must be made available to the licensee if requested.

**R1380 COMMUNICATION OF AUDIT FINDINGS**

Fuel tax adjustments resulting from audit findings will be documented and included on monthly transmittals.

In the event that the results of audit indicate funds owed to affected member jurisdictions and the licensee remits payment in full on or before the due date established by the base jurisdiction, such funds shall be remitted by the base jurisdiction to affected member jurisdictions in the manner and at the time prescribed by P1040.

In the event the base jurisdiction sends or causes to be sent a transmittal to a member jurisdiction which shows money owing to the base jurisdiction, the jurisdiction being billed shall remit payment to the base jurisdiction as prescribed by P1040.

Should a licensee fail to remit payment in full on or before the due date established by the base jurisdiction, the base jurisdiction may choose one of the following options in remitting audit funds to affected member jurisdictions:

**Option 1**
The base jurisdiction may remit any additional money owed by a licensee to affected member jurisdictions when payment is received. Upon receipt of a partial payment, the base jurisdiction must remit the payment on a pro-rata basis to affected member jurisdictions by the last day of the month following the month in which payment is received from the licensee. Credits due the licensee from one or more affected member jurisdictions shall be considered a payment made by the licensee. Total credits due the licensee and actual payments made by the licensee shall be allocated to each affected member jurisdiction owed based on the following formula:

\[
\text{Credits and/or}\ 
\frac{\text{Net Amount Due a Jurisdiction}}{\text{Total Amount Due all Jurisdictions}} \times \frac{\text{Payments Available}}{\text{to allocate}}
\]

Any audit liability identified by the base jurisdiction but not previously remitted by the base jurisdiction to the affected member jurisdictions, and which is deemed to be uncollectible for one or more of the reasons stated in the IFTA Procedures Manual Section P1060.200.010, must be reported to the affected member jurisdictions as such within 60 days of the after the uncollectible determination.

**Option 2**
The base jurisdiction may make payment of an audit liability in full to each affected member jurisdiction. If all or a portion of the funds originally remitted to the affected member jurisdictions is subsequently deemed uncollectible for one or more of the reasons stated in the IFTA Procedures Manual Section P1060.200.010, the base jurisdiction will be entitled to a refund of money previously remitted. If a portion of the money previously remitted is deemed to be uncollectible, the amount of the refund due from each affected member jurisdiction shall be
calculated on a pro-rata basis applying the same formula set forth in Option 1. Such refund shall be made by an adjustment to a future monthly transmittal. Adjustments made to previously remitted audit results deemed to be uncollectible must be indicated as such on the transmittal.

**R1390 AUDIT APPEALS**

The base jurisdiction shall provide a licensee at least 30 calendar days from the date the licensee is notified of the findings of an audit or a re-examination 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. Upon the conclusion of the appeal process, the base jurisdiction shall notify all affected member jurisdictions of the results of the appeal.

**R1555 COMPLIANCE MATTERS**

.100 Dispute Resolution Process

Disputes concerning issues of compliance with the International Fuel Tax Agreement may be resolved pursuant to the IFTA Dispute Resolution Process. The IFTA Dispute Resolution Process may be utilized to resolve only:

.015 Compliance matters where (i) the Program Compliance Review Process, including follow-up and/or reassessment, has been completed; (ii) a Final Determination Finding of Non-Compliance has been issued by the Program Compliance Review Committee related to Sections R970, R1210, R1230, R1260, R1270, P1040, A340 250, A320 260, or A690 R1380; and (iii) a recommendation for initiation of a dispute from the Program Compliance Review Committee has been approved by the member jurisdictions as defined in Article R1555.300.

**A100 INTRODUCTION**

The purpose of these guidelines is to establish a uniform procedure for International Fuel Tax Agreement (IFTA) jurisdictions to follow in establishing jurisdiction audit procedures, employing and supervising audit staff, planning and conducting audits, and reporting audit findings. This procedure eliminates the need for licensees to sustain multiple audits. Further, since an accurate and reliable distance accounting system is an important requirement of both the International Registration Plan (IRP) and IFTA agreements, jurisdictions are encouraged to perform IRP and IFTA audits simultaneously if they are members of both agreements.

The IFTA requires licensees to pay fuel taxes to each participating jurisdiction commensurate with the distance traveled in each jurisdiction. To fulfill this requirement, an effective and uniform audit program is necessary to verify the integrity of IFTA tax returns. It is essential that the basic audit program adopted by each jurisdiction be uniform and thorough to insure accuracy. It is each jurisdiction's responsibility to provide an adequate audit staff, to conduct an accurate audit in a professional manner, and to submit a full report to each member jurisdiction in which the licensee operated.

Under the provisions of IFTA, the jurisdiction administrator shall audit the tax returns and supporting documents of licensees based in that jurisdiction. Upon completion of any such audit, the administrator shall notify the licensee and member jurisdictions in which distance was accrued as to the accuracy of the licensee’s IFTA tax returns.
Audit is a critical element of ensuring compliance with the International Fuel Tax Agreement (IFTA). Under the provisions of IFTA, a member jurisdiction must audit, on behalf of all member jurisdictions, the tax returns and supporting documents of licensees based in that jurisdiction. The purpose of this manual is to set standards for auditors and member jurisdictions and to provide guidance and procedures specifically for the performance of IFTA audits.

The Audit Manual is the basis used by the Program Compliance Review Committee (PCRC) in evaluating a member jurisdiction’s compliance with the audit requirements as set forth in Article XIII of the Agreement. When the Audit Manual uses the word “must” or “shall” in connection with a procedure, this indicates an unconditional requirement for a member jurisdiction and a subject for compliance review. The use of the word “should” or “may” in the Audit Manual also indicates a requirement for a member jurisdiction, although one where noncompliance may be accepted by the PCRC if the jurisdiction has documented the relevant circumstances and the reasons for not complying. In all instances where deviation is required, the rationale to support the deviation must be documented in the work papers.

*A200 GENERAL AUDITING AUDIT PROGRAM STANDARDS

Each member jurisdiction must use an audit program. An audit program provides for uniformity and consistent application of audit procedures, serves as a training tool for new auditors, and facilitates the review of the audit. An audit program does not preclude the use of auditor judgment. Deviations from an audit program are acceptable if they are reasonable given the audit circumstances.

*A210 GENERAL STANDARDS 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, while exercising due professional care and maintaining an objective state of mind.

.100 Training and Proficiency

The examination is to be performed by a person or persons having adequate technical training and proficiency in auditing as outlined in Section A400 of this Manual.

.200 Auditor Independence

In all matters relating to the assignment, an independence in mental attitude is to be maintained by the auditor. The independent auditor must be without bias with respect to the licensee under audit to ensure the impartiality necessary for the dependability of the findings. However, this independence does not imply the attitude of a prosecutor, but rather a judicial impartiality that recognizes an obligation to fairness.

.300 Professional Care

Due professional care is to be exercised in performing the examination and preparing the report.

*A220 EXAMINATION STANDARDS-AUDITOR INDEPENDENCE
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.

.100 Preaudit Analysis
Preaudit analysis shall be conducted and documented. Documentation shall include, but is not limited to, an analysis of information reported on the IFTA returns for any unusual areas or trends that might need further examination.

.200 Study and Evaluation

The auditor is to make a proper study and evaluation of the licensee’s internal accounting controls to determine their reliability and the extent to which auditing procedures are to be restricted.

*A230 REPORTING STANDARD PLANNING AND SUPERVISION

The base jurisdiction shall adequately plan and supervise audits, and shall maintain documentation of such planning and supervision in the audit files. Evidence of these factors, by way of example, include work papers showing analysis of reported figures, observations regarding the licensee’s account, and records of communication between the auditor and his or her supervisor. Documentation that the auditor’s proposed audit results were reviewed for accuracy and for compliance with IFTA requirements shall be included.

The report shall contain a clear statement of the scope of the audit and must also clearly state and describe the results of the auditor’s examination.

*A240 AUDITOR QUALIFICATIONS AND RESPONSIBILITIES

.100 Each member jurisdiction is responsible for the staffing of qualified auditors based on the member jurisdiction’s personnel guidelines.

.200 Auditors should conduct themselves in a manner promoting cooperation and good relations with licensees and member jurisdictions.

.300 Auditors must give all licensees and member jurisdictions fair consideration.

.400 Each member jurisdiction must ensure its auditors maintain proficiency in IFTA auditing by providing training opportunities through internal or external training sources.

.500 The auditor must make a reasonable attempt to verify information reported on the tax returns.

A250 Number of Audits

Base jurisdictions will be held accountable for audits and will be required to complete audits of an
average of 3 percent per year of the number of IFTA accounts required to be reported by that
jurisdiction on the annual reports filed pursuant to the IFTA Procedures Manual, Section
P1110.300.005 excluding new licensees, for each year of the program compliance review period,
other than the jurisdiction's IFTA implementation year. Such audits shall cover at least one
license year. This does not preclude audits of individual licensees several times during the
program compliance review period. However, audits of a single licensee that cover multiple
license years, fuel types, or both shall be counted as one audit for program compliance review
purposes.

A260 Selection of Audits

The following guidelines shall be used in selecting audits to fulfill the IFTA auditing requirements:

100 Low-Distance/High-Distance Accounts Requirement

At least 15 percent of each member jurisdiction's audit requirement shall involve low-
distance accounts. (Low-distance accounts are considered to be the 25 percent of the
previous year's licensees who had the lowest number of miles/kilometers reported in all
member jurisdictions.) At least 25 percent of each member jurisdiction's audit
requirement shall involve high-distance accounts. High-distance accounts are considered
to be the 25 percent of the previous year's licensees who had the highest number of
miles/kilometers reported in all member jurisdictions.

200 Low-Distance/High-Distance Computations

Low-distance computations and high-distance computations shall be based on total
miles/kilometers reported by all IFTA licensees included on the annual report filed by the
jurisdiction pursuant to the IFTA Procedures Manual, Section P1110.300.005 excluding
new licensees, but including licensees who report no operations during a quarter, for the
first three quarters of each calendar year.

A300 IFTA-AUDITING-STANDARDS AUDIT PROCEDURES

A310 NUMBER OF AUDITS PRELIMINARY AUDIT PROCEDURES

Base jurisdictions will be held accountable for audits and will be required to complete audits of an
average of 3 percent per year of the number of IFTA accounts required to be reported by that jurisdiction
on the annual reports filed pursuant to the IFTA Procedures Manual, Section P1110.300.005 excluding
new licensees, for each year of the program compliance review period, other than the jurisdiction's IFTA
implementation year. Such audits shall cover at least one license year. This does not preclude audits of
individual licensees several times during the program compliance review period. However, audits for a
licensee selected that cover multiple license years, fuel types, or both shall be counted as one audit for
program compliance review purposes.

The purpose of performing preliminary audit procedures is to familiarize the auditor with the
licensee's business and reporting history.

100 If the base jurisdiction has conducted a prior audit of the licensee, and the results of that
audit are available, it shall review the findings of that prior audit and document that review
in the audit file.
The auditor must identify, and document in the audit file, the licensee’s vehicles operated in the audit period, and vehicle characteristics that might affect the audit.

The auditor must identify, and document in the audit file, how the licensee obtains fuel, the types of fuel used, and the locations of any bulk fuel storage.

The auditor must analyze the licensee’s tax returns subject to audit, note trends or variances, and document findings in the audit file.

**Selection of Audits Evaluation of Internal Controls**

The following guidelines shall be used in selecting audits to fulfill the IFTA auditing requirements:

**.100 Low-Distance/High-Distance Accounts Requirement**

At least 15 percent of each member jurisdiction’s audit requirement shall involve low-distance accounts. (Low-distance accounts are considered to be the 25 percent of the previous year’s licensees who had the lowest number of miles/kilometers reported in all member jurisdictions). At least 25 percent of each member jurisdiction’s audit requirement shall involve high-distance accounts. High-distance accounts are considered to be the 25 percent of the previous year’s licensees who had the highest number of miles/kilometers reported in all member jurisdictions.)

**.200 Low-Distance/High-Distance Computations**

Low-distance computations and high-distance computations shall be based on total miles/kilometers reported by all IFTA licensees included on the annual report filed by the jurisdiction pursuant to the IFTA Procedures Manual, Section P1110.300.005 excluding new licensees, but including licensees who report no operations during a quarter, for the first three quarters of each calendar year.

The auditor must provide a summary description of the licensee’s distance and fuel accounting systems. The auditor should compare the distance and fuel summaries provided by the licensee to the tax returns, and document any differences. An example of the licensee’s records examined by the auditor must be included in the audit file.

The auditor must:

**.100** identify the records the licensee maintains to support the tax returns;

**.200** attempt to determine if there have been changes in the licensee’s distance or fuel accounting procedures or operations during the audit period;

**.300** document the existence of any internal controls;

**.400** review and test the reliability of the licensee’s internal controls;

**.500** determine if sampling techniques are appropriate based on the effectiveness of the internal controls.
When sampling is appropriate, the auditor should determine the level of testing according to the reliability of the licensee’s internal controls.

The above items, and the strengths and weaknesses identified in the licensee’s distance and fuel accounting systems, must be documented in the audit report.

**A330 Sampling and Projection**

Unless a specific situation dictates, all audits will be conducted on a sampling basis. If sampling is employed in the audit the distance traveled and fuel consumed by the sample vehicles shall be tracked for at least one full calendar quarter. If a discovery sample yields no material differences, the sampling tests may be discontinued. The auditor should discuss with the licensee the selected sample quarter(s), sample vehicles, and records to be examined during the audit. Sample periods should be representative of the licensee’s operations. Sampling procedures, and the projection or isolation of any errors, must be documented in the audit file.

When the summary information does not match information reported on the quarterly returns, the auditor must attempt to determine the reason for the discrepancy. The auditor must also determine whether to project the sample findings per the summaries or tax returns. It is generally preferable to project to summary distance and fuel (corrected as necessary). The auditor must document in the audit file and note in the audit report the conclusions made as to whether the distance and fuel per summary or tax return has sufficient accuracy and reliability to be used in sampling projections.

If the base jurisdiction utilizes a distance software program to verify the records of the licensee, that software program shall be used as an audit tool for verification of reported distances.

**A340 Unreported Distance**

If the auditor discovers distance that was unreported, and cannot ascertain where that distance was traveled, the distance shall be allocated using a rational and unbiased approach. The reasoning for the approach must be documented in the audit file.

**A350 MPG/KPL Adjustments**

When records as a whole are adequate for audit, the base jurisdiction maintains the authority to adjust the MPG/KPL. In instances where the records for specific vehicles are substantially impaired adjustments may be made based on factors such as:

- .100 Prior experience of the licensee
- .200 Licensees with similar operations
- .300 Industry averages
- .400 Records available from fuel distributors or other third parties
- .500 Other pertinent information the auditor may obtain or examine

**A360 Reduction to Reported Total Fuel**
The total fuel reported by a licensee shall only be reduced when there is clear evidence to support such a reduction and such evidence is documented in the audit file. When the audit results in the denial of tax-paid credits, total fuel shall not be reduced without specific evidence that a reporting error has occurred.

A400 PERSONNEL QUALIFICATIONS AND RESPONSIBILITIES AUDIT COMMUNICATIONS

All audit communication, both written and oral, must be documented in the audit file.

*A410 ADMINISTRATION

.100 Member jurisdictions are responsible for the staffing of auditors who meet the qualifications of that jurisdiction’s personnel guidelines.

.200 Member jurisdictions are responsible for proper training of audit and audit support staffs in audit planning and audit procedures. There must be supervisory follow-up and review of the auditor’s procedures.

.300 Member jurisdictions are responsible for the actions of their auditors.

.400 The audit file shall contain documentation that any adjustments were reviewed and discussed with licensees representative prior to or concurrently with the issuance of the final audit report unless the licensees are unavailable and this is noted by the auditor in the audit report.

A410 Communication between Jurisdictions

Jurisdictions may contact each other to obtain pertinent information in accordance with each jurisdiction’s disclosure policy.

*A420 AUDIT STAFF

.100 All licensees are subject to audit. In all matters relating to the audit work, the audit organization and the individual auditors must be personally and organizationally independent from the licensee.

.200 Auditors must conduct audits giving each member jurisdiction equal consideration.

.300 Auditors shall audit all licensees under a uniform program unless special circumstances that dictate otherwise are documented.

A420 Notification

.100 The licensee should be contacted at least 30 days prior to the conduct of an audit. Through the initial or subsequent audit contacts, the licensee must be advised of the audit period, the type of records to be audited, and the proposed audit start date.

.200 The base jurisdiction may begin the audit within the 30 day notification period with agreement from the licensee, or for just cause.

A430 Request for Records
The auditor must request the appropriate records to conduct an audit of the selected audit period.

**A440 Opening Conference**

A documented opening conference should be held with the licensee to discuss the licensee’s operations, distance and fuel accounting system, audit procedures, records to be examined, sample period, sampling procedures, etc.

**A450 Closing Conference**

A documented closing conference should be held with the licensee during which any areas of non-compliance, and any requirements and recommendations for improvement to the distance and fuel accounting systems are discussed.

**A460 Audit Report**

An audit report, including a narrative and a billing summary documenting the audit, must be prepared by the base jurisdiction and provided to the licensee and all affected member jurisdictions. Where appropriate a checklist may serve this purpose. A copy of the audit report must be kept in the audit file. The base jurisdiction should send the audit report to all affected jurisdictions at the same time it sends the report to the licensee. The audit report must contain:

1. General information:
   - Name of base jurisdiction
   - Auditor’s name
   - Licensee’s name
   - Licensee’s address
   - Licensee’s phone
   - Licensee’s representative
   - Account number
   - Fleet number (where applicable)
   - USDOT number (where required)
   - License period audited
   - Summary of licensee’s business operations
   - Note trends or variances

2. Summary of the evaluation of internal controls:
   - Reliability of internal controls
   - Strengths and weaknesses in internal controls
   - Changes in the licensee’s accounting procedures during the audit period

3. The opening and closing conference dates and attendees

4. Sampling methodology information:
   - Description of sampling methodology or reason sampling was not performed
   - The periods and vehicles sampled
.500 Distance and fuel examination:

.005 Identify source documents used by the licensee to determine distance and fuel

.010 Identify the information in the source documents

.015 Describe procedures used to verify reported distance, fuel and MPG/KPL

.020 Explanation of distance and fuel adjustments

.025 Note any discrepancies between quarterly summaries and licensee’s tax returns

.030 Auditor’s evaluation of adequacy of records

.600 Summary:

.005 The report must indicate the procedures, findings, any requirements to become

compliant and any additional information deemed necessary.

.700 Billing summary:

.005 Net distance adjustment in total;

.010 Net distance adjustment by jurisdiction;

.015 Net tax paid fuel purchases adjustment;

.020 MPG/KPL as reported;

.025 MPG/KPL as a result of audit;

.030 Net fuel tax adjustment per jurisdiction

.035 Reported tax by jurisdiction;

.040 Audited tax by jurisdiction;

.045 Penalty;

.050 Interest by jurisdiction; and

.055 total by jurisdiction.

[SECTION A680 MOVED TO A470 WITH CHANGES] A470 AUDIT FILE CONTENTS

In addition to a copy of the audit report and any pertinent post-audit communications concerning the

audit, the audit file shall contain, but not be limited to, at least the following information:

.100 Schedules

.005 Summary schedules

Summary schedules, which shall include the reported and audited fuel and
distance for each affected jurisdiction. They shall also include the assessment
or refund for each jurisdiction, and the net total assessment or refund due
for the audit, including all penalties and interest.

.010 Supplementary schedules

Supplementary schedules, which shall provide additional detail for the results on
the summary schedules. These supplementary schedules shall contain, but not be limited to, schedules showing how audited fuel and distances were calculated and the computation of adjustment factors determined from a sample,
if applicable.
Support Documentation

Detail Information

Detail information, which documents is documentation of actual the records reviewed, which that support the audit results. Detail information includes, but is not limited to, the following: shall include detail of retail or bulk purchases, detail of bulk fuel withdrawals, and analysis of trips audited, showing audited distance in total and per jurisdiction. This information may be maintained on a workpaper or electronically, on a database.

Listing of Records Maintained

A listing of records, which maintained shall indicate what records are maintained and presented by the licensee and whether those records comply with the Agreement.

A synopsis of opening and closing conference notes with licensee indicating date and persons attending.

GENERAL GUIDELINES

UNIFORMITY

For an audit to be acceptable to all member jurisdictions, it must be conducted in a professional manner and the results clearly documented. Standard terminology is to be used in reporting audit findings (See the IFTA Agreement and Procedures Manual).

Acceptable audit standards provide that several procedures may be employed. However, it is necessary that each audit reflect adequate information necessary to satisfy the commissioners of the various member jurisdictions.

STANDARD APPROACH

Audit emphasis should be placed on evaluation of the licensee’s distance accounting system, as distance allocation by jurisdiction is the basis for determining the licensee’s fuel consumption and tax obligation for each jurisdiction. 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.

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. In the event that an auditor is unable to determine any reasonable method to assign or allocate unreported miles/kilometers, such
miles/kilometers shall be assigned to all jurisdictions on the basis of each jurisdiction’s audited percentage of total distance. Any audit adjustment to total fleet miles/kilometers of individual jurisdictions will require recomputation of the licensee’s miles per gallon/kilometers per liter and, consequently, the fuel tax obligation to various jurisdictions.

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.

.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.

*A540—VERIFICATION OF LICENSEE RECORDS

.100 If the licensee’s operational records are not located in the base jurisdiction and the base jurisdiction’s auditors must travel to where such records are maintained, the base jurisdiction may require the licensee to pay the base jurisdiction per diem and travel expenses incurred by the auditor(s) in performance of such an audit.

.200 The audit will be completed using the best information available to the base jurisdiction. The burden of proof is on the licensee.

.300 The auditor will make any reasonable attempt to verify information reported on the tax returns.

.400 If the base jurisdiction utilizes a distance reporting software program to verify the records of the licensee, that software program shall be used as an audit tool. The auditor must use discretion when verifying the licensee’s records. All documentation required to be maintained in accordance with Section P540 of the IFTA Procedures Manual, and any other records used by the licensee to substantiate its distance traveled, must be considered by the auditor(s) in determining an acceptable distance reporting system and the accuracy of reported distance traveled.

*A550—INADEQUATE LICENSEE RECORDS/ASSESSMENT

.100 Fuel Use Estimation

If the licensee’s records are lacking or inadequate to support any tax return filed by the licensee or to determine the licensee’s tax liability, the base jurisdiction shall have authority to estimate the fuel use upon (but is not limited to) factors such as the following:

.005 Prior experience of the licensee;

.010 Licensees with similar operations;
.015 Industry averages;

.020 Records available from fuel distributors; and

.025 Other pertinent information the auditor may obtain or examine.

Unless the auditor finds substantial evidence to the contrary by reviewing the above, in the absence of adequate records, a standard of 4 MPG/1.7KPL will be used.

.200 Tax Paid Fuel Credits

When tax paid fuel documentation is unavailable, all claims for tax paid fuel will be disallowed.

A600 THE AUDIT PROCESS

A610 AUDIT NOTIFICATION (new A420)

At least 30 days prior to conducting a routine audit, the licensee should be contacted in writing and advised of the approximate date that an audit is to be conducted and the time period the audit will cover. The notification will provide the licensee the opportunity to make the required records available and provide assurance the tentative audit schedule is acceptable.

.100 For purposes of documentation and to avoid misunderstanding, a copy of the notification letter should be incorporated into the audit file detailing the tentative audit date and the documentation the licensee is required to furnish.

.200 For just cause, notification requirements may be waived.

.300 All pre-audit contact should be confirmed in writing.

*A620 AUDIT COMMUNICATION BETWEEN JURISDICTIONS (new A410)

.100 Jurisdictions may contact each other prior to the audit to obtain pertinent information in accordance with each jurisdiction’s disclosure policy.

.200 Copies of correspondence between the licensee and member jurisdictions that have a bearing on a tax liability and special instructions that may affect the audit shall be forwarded to the base jurisdiction in accordance with each jurisdiction’s disclosure policy.

*A630 OPENING CONFERENCE (new A440)

.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. The method by which said conference takes place is subject to the base jurisdiction’s discretion and may include, but is not limited to, the following: in person meetings, telephone discussions, written correspondence, facsimile transmission, and electronic mail messaging. The licensee and auditor should determine
who has the responsibility for the final acceptance of audit findings and who should be
involved in the closing conference.

.200 In those circumstances where an opening conference is not held and/or completed in
accordance with A630.100 because the audit is being performed in accordance with IFTA
Articles of Agreement R1210, documentation must be provided as to why the opening
conference was not held and/or completed.

.300 Open communication between the licensee and auditor is desirable.

*A640 EVALUATION OF INTERNAL CONTROL (new A460)

The auditor’s study and evaluation of the licensee’s internal accounting control system has several
identifiable phases.

.100 Review and Documentation

The review of the system is an information-gathering phase in which the auditor, through
inquiry and observation, determines the licensee’s accounting policies and procedures. The
auditor’s objective is to obtain an understanding of the flow of transaction processing. As
part of this process, the auditor will:

.005 Find out if there have been changes in the licensee’s accounting procedures or
operations during the audit period;

.010 Identify the records that the licensee keeps to support the tax return;

.015 Audit the support documentation and check with the licensee to determine if any
pre-auditing of support documentation is done prior to data entry; and

The auditor documents the understanding of the licensee’s system of internal control in the
work papers by completing a questionnaire designed for this purpose or by diagramming or
describing the flow of transactions in flowchart or narrative form.

To clarify this understanding, the auditor may select a few transactions of each transaction
type and trace them through the accounting system from initiation to ultimate recording.

.200 Preliminary Evaluation

By studying and evaluating the internal control procedures, the auditor identifies apparent
weaknesses in the internal control system.

.300 Tests of Compliance

If controls are inadequate to permit reliance, the auditor may make a more extensive review
and perform tests of compliance. If weaknesses identified in the preliminary evaluation
preclude reliance, or if the auditor believes that more efficient or effective audit tests are
possible without reliance, the auditor will plan audit procedures without any further study and
evaluation of accounting control.

.400 Report on Weaknesses
The extensiveness of the review of the system and whether tests of compliance are made are matters of the auditor's judgment. Any serious weaknesses identified will be formally reported promptly to the licensee rather than at completion of the audit.

*A650—CLOSING CONFERENCE

.100 Except as defined in A650.200, a documented closing conference shall held with the licensee outlining preliminary findings to include applicable penalty and interest recommendations, rights of appeal, and identifying the person to whom the audit report should be addressed. The method by which said conference takes place is subject to the base jurisdiction's discretion and may include, but is not limited to, the following: in person meetings, telephone discussions, written correspondence, facsimile transmissions, and electronic mail messaging.

.200 In those circumstances where a closing conference is not held and/or completed in accordance with A650.100 because the audit was completed in accordance with IFTA Articles of Agreement R1210, documentation must be provided as to why the closing conference was not held and/or completed.

*A660—AUDIT REPORTS

.100 Licensee Audit Report

A complete report documenting the audit must be prepared by the auditor and shall contain, but not be limited to, the following information:

.005 Name and address of licensee;
.010 Account number;
.015 Audit period;
.020 Types of records audited;
.025 Description of audit techniques employed;
.030 Net distance adjustment;
.035 Net tax paid fuel purchases adjustment;
.040 MPG/KPL as reported;
.045 MPG/KPL as result of audit;
.050 Net fuel tax adjustment per jurisdiction;
.055 Remarks and recommendations; and
.060 Signature of auditor or reviewing jurisdictional official and date.

.200 Interjurisdictional Audit Report

The base jurisdiction shall prepare an Interjurisdictional Audit Report utilizing a layout similar to the example report forms contained in appendix A, and shall contain, but not be limited to, the following information:

.005 name of base jurisdiction;
.010 name and address of licensee;
.015 Federal Employer Identification Number or equivalent;
.020 reported tax by jurisdiction;
.025 audited tax by jurisdiction;
.030 penalty;
.035 interest by jurisdiction; and
.040 total by jurisdiction.

*A670 AUDIT DOCUMENTATION

The audit documentation shall accomplish the following:

.100 Communicate the results of the audit, showing adjusted distance, fuel and the monetary results;
.200 Document and justify procedures conducted by the auditor;
.300 Indicate source of audit results. For example, audited fuel determined from retail purchase receipts;

.400 Communicate suggestions and recommendations made to the licensee; and
.500 Clearly support audit findings.

[SECTION A680 MOVED TO A470 WITH CHANGES] *A680 AUDIT FILE CONTENTS

The audit file will contain, but not be limited to, the following:

.100 Schedules
Summary schedules shall include reported and audited fuel and distance for each affected jurisdiction. They shall also include the assessment or refund for the jurisdictions and the net total assessment or refund due for the audit, including all penalties and interest.

Supplementary schedules shall provide additional detail for results on the summary schedules. Supplementary schedules will contain, but not be limited to, schedules showing how audited fuel and distances were calculated and the computation of adjustment factors determined from a sample, if applicable.

Detail Information is documentation of actual records reviewed, which support the audit results. Detail information includes, but is not limited to, the following:

detail of retail or bulk purchases, detail of bulk fuel withdrawals and analysis of trips audited, showing audited distance in total and per jurisdiction. This information may be maintained on a workpaper or electronically, on a database.

A listing of records maintained shall indicate what records are maintained and presented by the licensee and whether the records comply with the Agreement.

A synopsis of opening and closing conference notes with licensee indicating date and persons attending.

Following the close-out conference and any review period deemed necessary, the base jurisdiction will furnish the licensee with the Licensee Audit Report and its customary notice of assessment, billing or other notification which would signify the beginning of the licensee’s
appeal period.

.200 Within 45 days of furnishing the licensee with the finalized Licensee Audit Report and its customary notification of assessment or billing, the commissioner shall send an Interjurisdictional Audit Report to all affected member jurisdictions notifying those jurisdictions of the accuracy of the records of said licensee and any resulting adjustment of fuel taxes. An affected jurisdiction is any jurisdiction in which the licensee reported or accrued miles/kilometers, fuel or experiences any changes in the reported vs. audited calculations during the audit period. The Licensee Audit Report shall be considered to be finalized when the notification of assessment or billing issued to the licensee triggers the right to appeal such assessment or billing. Where a licensee does not agree with the initial notification of audit findings and the base jurisdiction has granted more time to review the audit results and/or review additional records before the formal appeals process begins, the Licensee Audit Report will not be considered finalized.

.300 Member jurisdictions may request copies of the audit reports and work papers. A copy of the audit report, work papers, supporting documentation and any pertinent post-audit communications must be maintained by the base jurisdiction as part of the audit file for the period set forth in P910.

.400 Fuel tax adjustments resulting from audit findings will be documented and included on monthly transmittals.

.500 In the event that the results of audit indicate funds owed to affected member jurisdictions and the licensee remits payment in full on or before the due date established by the base jurisdiction, such funds shall be remitted by the base jurisdiction to affected member jurisdictions in the manner and at the time prescribed by P1040. In the event the base jurisdiction sends or causes to be sent a transmittal to a member jurisdiction which shows money owing to the base jurisdiction, the jurisdiction being billed shall remit payment to the base jurisdiction as prescribed by P1040.

.600 Should a licensee fail to remit payment in full on or before the due date established by the base jurisdiction, the base jurisdiction may choose one of the following options in remitting audit funds to affected member jurisdictions:

Option-1

The base jurisdiction may remit any additional money owed by a licensee to affected member jurisdictions when payment is received. Upon receipt of a partial payment, the base jurisdiction must remit the payment on a pro-rata basis to affected member jurisdictions by the last day of the month following the month in which payment is received from the licensee. Credits due the licensee from one or more affected member jurisdictions shall be considered a payment made by the licensee. Total credits due the licensee and actual payments made by the licensee shall be allocated to each affected member jurisdiction owed based on the following formula:

Credits and/or

\[
\begin{align*}
\text{Net Amount Due a Jurisdiction} & \times \frac{\text{Payments Available}}{\text{Total Amount Due all Jurisdictions}} \\
\text{Credits and/or} & \\
\text{Net Amount Due all Jurisdictions} & \text{to allocate}
\end{align*}
\]

Any audit liability identified by the base jurisdiction but not previously remitted by the base jurisdiction to the affected member jurisdictions, and which is deemed to be...
uncollectible for one or more of the reasons stated in the IFTA Procedures Manual Section P1060.200.010, must be reported to the affected member jurisdictions as such within 60 days of the after the uncollectible determination.

Option 2

The base jurisdiction may make payment of an audit liability in full to each affected member jurisdiction. If all or a portion of the funds originally remitted to the affected member jurisdictions is subsequently deemed uncollectible for one or more of the reasons stated in the IFTA Procedures Manual Section P1060.200.010, the base jurisdiction will be entitled to a refund of money previously remitted. If a portion of the money previously remitted is deemed to be uncollectible, the amount of the refund due from each affected member jurisdiction shall be calculated on a pro-rata basis applying the same formula set forth in Option 1. Such refund shall be made by an adjustment to a future monthly transmittal. Adjustments made to previously remitted audit results deemed to be uncollectible must be indicated as such on the transmittal.

A700 COMPLIANCE

A710 FOLLOW-UP VISITS

A follow-up courtesy visit to see if audit recommendations have been implemented may be made at the base jurisdiction's discretion.

A720 REMINDER LETTERS

Any follow-up reminder letters should be made at the base jurisdiction's discretion.

A730 PRESUMPTION OF FINDINGS

The findings of the base jurisdiction's audit as to the amount of fuel taxes due from any licensee shall be presumed to be correct. However, if the licensee is in disagreement with the original findings, the licensee may request any or every jurisdiction to audit the licensee's records. Each jurisdiction upon whom a request is made may elect to accept or deny the request. See IFTA Articles of Agreement Section R1450.200.

P500 RECORDKEEPING

P510 PRESERVATION OF RECORDS

.100 The licensee is required to preserve the records upon which the quarterly tax return or annual tax return is based for four years from the tax return due date or filing date, whichever is later, plus any time period included as a result of waivers or jeopardy assessments.

.200 Failure to provide records demanded for audit purposes extends the four-year record retention requirement until the records are provided.
.300 Records may be kept on microfilm, microfiche, or other computerized or condensed record storage system acceptable to the base jurisdiction.

P520 AVAILABILITY OF RECORDS

.100 Records shall be made available upon request by any member jurisdiction and shall be available for audit during normal business hours.

.200 If records to be audited are located outside of the base jurisdiction, and the base jurisdiction must send auditors to the place records are kept, the licensee may be required to reimburse the base jurisdiction for reasonable per diem and travel expenses of its auditors as authorized by law.

P530 NON-COMPLIANCE

.100 Failure to maintain records upon which the licensee's true liability may be determined or to make records available upon proper request may result in an assessment as stated in IFTA Articles of Agreement Section R1200.

.200 Non-compliance with any recordkeeping requirement may be cause for revocation of the license. The base jurisdiction may defer license revocation if the licensee shows evidence of compliance for future operations.

P540 DISTANCE RECORDS

.100 Licensees shall maintain detailed distance records which show operations on an individual-vehicle basis. The operational records shall contain, but not be limited to:

.005 Taxable and non-taxable usage of fuel;

.010 Distance traveled for taxable and non-taxable use; and

.015 Distance recaps for each vehicle for each jurisdiction in which the vehicle operated.

.200 An acceptable distance accounting system is necessary to substantiate the information reported on the tax return filed quarterly or annually. A licensee's system at a minimum, must include distance data on each individual vehicle for each trip and be recapitulated in monthly fleet summaries. Supporting information should include:

.005 Date of trip (starting and ending);

.010 Trip origin and destination;

.015 Route of travel (may be waived by base jurisdiction);

.020 Beginning and ending odometer or hubodometer reading of the trip (may be waived by base jurisdiction);

.025 Total trip miles/kilometers;

.030 Miles/kilometers by jurisdiction;
.035 Unit number or vehicle identification number;
.040 Vehicle fleet number;
.045 Registrant's name; and
.050 may include additional information at the discretion of the base jurisdiction.

*P550 FUEL RECORDS

.100 The licensee must maintain complete records of all motor fuel purchased, received, and used in the conduct of its business.

.200 Separate totals must be compiled for each motor fuel type.

.300 Retail fuel purchases and bulk fuel purchases are to be accounted for separately.

.400 The fuel records shall contain, but not be limited to:

.005 The date of each receipt of fuel;
.010 The name and address of the person from whom purchased or received;
.015 The number of gallons or liters received;
.020 The type of fuel; and
.025 The vehicle or equipment into which the fuel was placed.

*P560 TAX PAID RETAIL PURCHASES

.100 Retail purchases must be supported by a receipt or invoice, credit card receipt, automated vendor generated invoice or transaction listing, or microfilm/microfiche of the receipt or invoice. Receipts that have been altered or indicate erasures are not accepted for tax-paid credits unless the licensee can demonstrate the receipt is valid.

.200 Receipts for retail fuel purchases must identify the vehicle by the plate or unit number or other licensee identifier, as distance traveled and fuel consumption may be reported only for vehicles identified as part of the licensee’s operation.

.300 An acceptable receipt or invoice must include, but shall not be limited to, the following:

.005 Date of purchase;
.010 Seller’s name and address;
.015 Number of gallons or liters purchased;
.020 Fuel type;
.025 Price per gallon or liter or total amount of sale;
.030 Unit numbers; and
.035 Purchaser’s name (See R1010.300 of the IFTA Articles of Agreement).

*P570 TAX PAID BULK FUEL PURCHASES

.100 Bulk fuel is delivered into a storage tank owned, leased or controlled by the licensee and not delivered directly by the vendor into the supply tank of the qualified motor vehicle. Fuel tax may or may not be paid by the licensee to the vendor at the time of the bulk fuel delivery. Copies of all delivery tickets and/or receipts must be retained by the licensee.

.200 Receipts that have been altered or indicate erasures are not accepted for tax-paid credits unless the licensee can demonstrate the receipt is valid.

.300 Bulk fuel inventory reconciliations must be maintained. For withdrawals from bulk storage, records must be maintained to distinguish fuel placed in qualified vehicles from other uses.

.400 A licensee may claim a tax-paid credit on the IFTA tax return for bulk fuel only when the bulk storage tank from which the fuel is withdrawn is owned, leased or controlled by the licensee; the fuel is placed into the fuel tank of a qualified motor vehicle; and either the purchase price of the fuel includes tax paid to the member jurisdiction where the bulk fuel storage tank is located or the licensee has paid fuel tax to the member jurisdiction where the bulk fuel storage tank is located. The licensee shall maintain the following records:

.005 Date of withdrawal;
.010 Number of gallons or liters;
.015 Fuel type;
.020 Unit number; and
.025 Purchase and inventory records to substantiate that tax was paid on all bulk purchases.

.500 Upon application by the licensee, the base jurisdiction may waive the requirement of unit numbers for fuel withdrawn from the licensee’s own bulk storage and placed in its qualified motor vehicles. The licensee must show that adequate records are maintained to distinguish fuel placed in qualified vs. non-qualified motor vehicles for all member jurisdictions.

*P600 ELECTRONIC DATA RECORDING SYSTEMS

*P610 OPTIONAL USE FOR FUEL TAX REPORTING

On-board recording devices, vehicle tracking systems, or other electronic data recording systems may be used (at the option of the carrier) in lieu of or in addition to handwritten trip reports for tax reporting. Other equipment monitoring devices that transmit data or may be interrogated as to vehicle location or travel may be used to supplement or verify handwritten or electronically-generated IFTA Full Track Preliminary Ballot Proposal
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trip reports.

Any device or electronic system used in conjunction with a device shall meet the requirements stated in this Section.

On-board recording or vehicle tracking devices may be used in conjunction with manual systems or in conjunction with computer systems.

**P620—DEVICES USED WITH MANUAL SYSTEMS**

All recording devices must meet the requirements stated in IFTA Procedures Manual Section P640 and P660.

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. Vehicle and fleet summaries which show miles and kilometers by jurisdiction must then be prepared manually.

**P630—DEVICES USED WITH COMPUTER SYSTEMS**

The entire system must meet the requirements stated in IFTA Procedures Manual Sections P640, P650, and P660.

If the printed trip reports will not be retained for audit, the system must have the capability of producing, upon request, the reports indicated in IFTA Procedures Manual Section P640.

When the computer system is designed to produce printed trip reports, vehicle and fleet summaries which show miles and kilometers by jurisdiction must also be prepared.

**P640—DATA COLLECTION REQUIREMENTS**

To obtain the information needed to verify fleet distance and to prepare the "Individual Vehicle Distance Record", the device must collect the following data on each trip.

**.100—Required Trip Data**

.005—Date of Trip (starting and ending);

.010—Trip origin and destination (location code is acceptable);

.015—Routes of travel or latitude/longitude positions used in lieu thereof (may be waived by base jurisdiction). If latitude/longitude positions are used, they must be accompanied by the name of the nearest town, intersection or cross street. If latitude/longitude positions are used, jurisdiction crossing points must be calculated or identified;

.020—Beginning and ending odometer or hubodometer reading of the trip (may be waived by base jurisdiction);

.025—Total trip distance;

.030—Distance by jurisdiction;
.035 Power unit number or vehicle identification number;
.040 Vehicle fleet number; and
.045 Registrant’s name.

.200 Optional Trip Data (may be included at the discretion of the base jurisdiction)
.005 Driver ID or name; and
.010 Intermediate trip stops.

.300 Fuel Data
For purposes of fuel tax reporting, the device must collect the following data:
.005 Date of purchase;
.010 Seller’s name and address (vendor code acceptable);
.015 Number of gallons or liters purchased;
.020 Fuel type (may be referenced from vehicle file);
.025 Price per gallon or liter or total amount of sale (required only for purchases from vendors);
.030 Unit numbers; and
.035 Purchaser’s name (in the case of lessee/lessor agreement, receipts will be accepted in either name, provided a legal connection can be made to reporting party).

.400 Bulk Fuel Data
For purposes of bulk fuel tax, the device must collect, in addition, the following data:
.005 Date of withdrawal;
.010 Number of gallons or liters;
.015 Fuel type;
.020 Unit number; and
.025 Purchase and inventory records to substantiate that tax was paid on all bulk purchases.

*P650 REPORTING REQUIREMENTS
The following reports may be prepared by an electronic computer system which accepts data from
on-board recording or vehicle tracking devices rather than the recording device itself. The system
shall be able to produce the following reports:

.100 Trip Reports

An individual Vehicle Distance Record (IVDR) report for each trip that includes the
information required in IFTA Procedures Manual Section P640. (Note: This report may be
more than one page.)

.200 Summary Reports for Individual Vehicles

Monthly, quarterly, and annual summaries of vehicle trips by vehicle number showing miles
or kilometers by jurisdiction.

.300 Summary Reports for Fleets

Monthly, quarterly, and annual trip summaries by fleet showing the number of miles or
kilometers by jurisdictions.

.400 Exception Reports

Exceptions that identify all edited data, omissions of required data (see IFTA Procedures
Manual Section P640), system failures, noncontinuous life-to-date odometer readings, travel
to noncontiguous jurisdictions, and trips where the location of the beginning trip is not the
location of the previous trip must be identified.

.500 Calibration Reports

.005 In cases where speed/rpm sensors or odometer/speedometer interface devices
are providing pulse inputs to the on-board computer, the system will record the calibration
factors used in calculating mileage at time of download from the vehicle to the base
computer.

.010 The fleet shall also keep accurate records of all Engine Control Module
calibrations

*P660—MINIMUM DEVICE REQUIREMENTS

.100 Certification of Testing

The carrier must obtain a certificate from the manufacturer certifying that the design of the
on-board recording or vehicle tracking device has been sufficiently tested to meet the
requirements of this provision.

.200 Security

The on-board recording or vehicle tracking device and associated support systems must be,
to the maximum extent practicable, tamperproof, and must not permit altering of the
information collected. Editing the original information collected will be permitted. All editing
must be identified, and both the edited and original data must be recorded and retained.
.300 Function Warning

The on-board recording or vehicle tracking device shall warn the driver visually and/or audibly that the device has ceased to function.

.400 Time and Date Stamping

The device must time and date stamp all data recorded.

.500 Memory Full Warning

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.

.600 Odometer Update

The device must automatically update a life-to-date odometer when the vehicle is placed in motion or the operator must enter the current vehicle odometer reading when the on-board recording or vehicle tracking device is connected to the vehicle.

.700 Confirmation of Data Entered

The device must provide a method for the driver to confirm that the 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).

P670 CARRIER RESPONSIBILITIES

.100 Recalibration

It is the carrier’s responsibility to recalibrate the on-board recording device on mechanical or electronic installations when the tire size changes, the vehicle drive train is modified, or any modifications are made to the vehicle 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 audit retention period.

.200 Data Backup

It is the carrier’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.

.300 Electronic Data Transfers

At the discretion of the jurisdiction, carriers may submit records for audit to the jurisdiction through electronic data transfer.

.400 Training of Drivers
It is the carrier's responsibility to assure its drivers are trained in the use of the computer system. Drivers shall be required to note any failures of the on-board recording or vehicle tracking device and to prepare manual trip reports of all subsequent trip information until the device is again operational.

.500 Compliance

It is the carrier's responsibility to assure the entire recordkeeping system meets the requirements of IFTA. It is suggested that the carrier contact the base jurisdiction IFTA Audit Section for verification of audit compliance prior to implementation.
We appreciate the efforts from the Audit Committee on the proposed ballot. However, like many other jurisdictions, we find that the ballot is too long and may be better broken down into several ballots.

We have a few other comments on some general concepts:

While there are definitions on "must", "should", why is there no definition for "shall"? Or are these definitions required at all?

R730, line 68. We like the comment, however, the licensee should be required to provide books and records in a format that is auditable by the base jurisdiction.

R740 generally looks good although it is silent on who has the ownership of the GPS data. We would welcome a comment that it is the responsibility of the licensee to obtain the data from the GPS service provider and not the base jurisdiction.

R1370 may be too restrictive. An audit findings letter and a management letter may be provided instead of an audit report.

We also applaud the Audit Committee and the I-CAWG for the hard work and efforts. We oppose this ballot on three basic and several specific issues. First, the proposal of a ballot this comprehensive with so many language changes runs a great risk of either changing the intent of such language or will result in unintended consequences. It is simply too much to evaluate and assess for its propriety without bearing a significant risk if it were to pass. Second, the proposed change to the effective meaning of the words "must," "shall," or "will" versus words such as "may" or "should" is of great concern. Words such as "may" and "should" are dissimilar from and do not carry the same force and effect as the words "shall" or "will." There are any number of reasons why the drafters of this Agreement separated actions, policies, and procedures into mandated and non-mandated actions. This change makes actions once deemed non-mandatory -- compulsory, thus adding more subjectivity, levels of complexity and the risk of unintended consequences to the compliance review process; unnecessarily so in our opinion. Lastly, we believe jurisdictions generally do a very good job with the audits they conduct. Jurisdictions trust each other and recognize that there will be nuances in the way audits are conducted. That trust is evidenced
by the lack of disputes (2) in over three decades of IFTA's existence. We believe passage of this type of language may actually contribute to an erosion of trust because of the increase in subjectivity. We do not agree with the following specific items:

- Use of words such as “adequate, sufficient, or appropriate” creates subjectivity (R730) and leaves much open to interpretation. The same is true of the use of the terms “material or materially” in R740. We advise that we refrain from their use wherever possible.
- The proposal in R770 appears to dismantle the requirement that the licensee is held accountable (burden of proof) for keeping records that are compliant with the Agreement’s standards. The proposal prohibits the use of the provisions (R770) when records can be audited even though they may be of poor or inconsistent quality.
- We disagree with the proposed standards for sampling. This should be left to auditor/base jurisdiction judgment. The proposal invites more subjectivity to the compliance review process.
- We disagree with the changes to the notification requirements. The proposed changes place an extra burden on the base jurisdiction to acquire agreement from the licensee or to prove just cause. This is a significant change from current practice. We disagree with the requirement to review and document prior audits. Jurisdictions have already received those audits; the redundant documenting of prior audits is overkill in most cases and brings little additional value to the current case. Jurisdictions have always had the right to contact base jurisdictions with questions; is that existing practice not enough?

**Idaho**
Support

**Illinois**
Oppose

**Iowa**
Undecided

This was certainly a huge undertaking for the committee. There are so many changes we need to look at this closely before supporting or opposing. Need to see some of the changes as advised in the other comments. Need to see if modifications can be made to the existing documentation. The ballot will work if passed, it will just take a lot of clarification and interpretation.

**Kansas**
Oppose

Kansas see’s some good things in here that put into writing what we already do such as month end cutoffs not having to end strictly at the calendar quarter/month end, though it could be taken too far by the taxpayer.

They talk about that in section R750. They talk about different cut off periods for miles and fuel, which we also run into. This is potentially allowing for a lot of freedom in record keeping that may not be a good thing.

The cut off should fall within the same week that the calendar quarter ends.
Section 710 should be more than a record retention section, it needs to be more clear that this also pertains to the time period where assessments, refunds or no change audits are published. Lines 44 - 47 take a stab at that.

"Trip" should be defined.

The 20 percent MPG reduction like the 4.0 should state that it can be done on a quarter by quarter basis. Record keeping often times changes during the course of an audit.

According to R1370 we would have to start providing audit reports to the other jurisdictions as soon as the audit goes out the door, like we do with IRP.

**KENTUCKY**
Support

**MAINE**
Oppose

The hours of hard work put into this ballot are appreciated. However, overall, Maine does support this ballot.

IFTA is a benefit to carriers. They no longer file tax returns with all jurisdictions traveled, but one return with a base jurisdiction. The information needed to file multiple returns has not changed with the filing of one return. The terms currently used in P500 and P600 are in need of modernizing. However, this ballot goes far beyond that need.

In multiple places, there are references to the Base Jurisdiction when discussing record keeping, audit, requesting documents, etc. This appears to limit Jurisdictional rights to audit any carrier availing itself of that jurisdictional infrastructure. (Nexus)

The rewrite imposes more restrictions on jurisdictions conducting audits and how they interact with taxpayers based in that jurisdiction. More guidelines are need on when a jurisdiction audits a carrier not based in that jurisdiction. This will happen as it happened before IFTA. Although any imposed rules on these audits could put IFTA at odds with the jurisdiction conducting an audit on a carrier with Nexus in that State.

After making the statement in R710 that “On request, the licensee shall make such records available for audit....” The word “audit” should not be used in the records requirement section again. There are clear instructions for the auditor in several places, most dealing with tax paid fuel that should be in the audit manual. Not sure why summaries need to be “demanded by the base jurisdiction” R760. R770 “inadequate Records” should be in the audit manual before A350 MPG/KPL Adjustment.

R740.300 and R750.900-Timing of cut off dates for distance reporting and fuel reporting. Timing issues for large carriers may not change mpg/kpl and the resulting liability. But for smaller carriers, the timing of fuel to distance and the taking of tax paid credit could be affected based on this timing differences allowed by these sections. Are we now allowing a carrier to take credit in a jurisdiction with no reported distance?

R750.700-alternative fuels are not defined and what is practicable? Bio-fuel production and the records required are regulated by our Revenue department.
Do not agree with defining a “must, shall, should, and may” in A100 as a requirement. By having so many of these terms in the audit manual it is driving the jurisdiction to develop the audit program required in A200 to meet these requirements. A reasonable audit for the carrier could be lost as the jurisdiction conducting the audit is more worried about meeting the requirements. It also appears that a “should” or “may” even though explained and accepted by the audit reviewer, could still be found out of compliance by the PCRC.

Based on the requirements of A320 evaluation of internal controls sections .400, .500, .600, a determination of the reliability of internal controls would need to be calculated and any testing conducted would be based on the reliabilities of internal controls. This is statistical auditing typically used in financial statement audits, and used to determine the reliability that an error causing a material misstatement may not be found with sampling techniques employed. Not sure how this would be applicable to auditing distance. Could be useful on very large carrier audits; not useful on smaller carriers and should not be a mandate. Requiring sampling of one full calendar quarter for every license year under audit is overkill in most audits conducted. This should be up to the auditing jurisdiction.

MANITOBA
Oppose

MARYLAND
Oppose

Maryland disagrees with A330 Sampling and Projection. Sampling is meant to perform an audit timely and accurately with a presumed risk. Mandating a block sample of one quarter per year audited will not accomplish either goal. The audit and the internal controls employed by that account must dictate the sample and sample size. This can only be done by the auditor at the time of audit.

MASSACHUSETTS
Oppose

MICHIGAN
Oppose

Appreciate the hard work, however Michigan believes the changes are too many for one ballot and recommends having several smaller ballots.

MINNESOTA
Oppose

Many of the changes proposed address the changes needed for technological advances and clarifies distance and fuel compliance requirements in conducting an audit to ensure payment of a carrier's true tax liability. However, Minnesota is unable to support the proposal as presented due to the numerous language changes and the potential for unintended consequences. This proposal is too much to evaluate and access in this short time frame. We recommend that this be broken down into smaller areas, ask for comments and recommendations and then propose a ballot.
MONTANA
Oppose

A100 states that Audit is a critical element of ensuring compliance with IFTA. But in R770 they move away from compliant/non-compliant and move us to adequate or inadequate. If the records are sufficient enough for us to gain reasonable assurance of the taxes paid, we must say the records are adequate and there are no compliance issues or penalties. This decreases compliance and increases the burden on audit. To audit with compliant documents means that we have to review more information and perform additional work. Also A400 states “All communication, both written and oral, must be documented in the audit file.” We have a lot of irrelevant discussions with companies. They need to add some kind of a qualifier to that statement. To document ALL communication is a burden for staff and records maintenance.

NEBRASKA
Oppose

Nebraska appreciates the effort and work of the I-CAWG and generally supports many parts of the ballot, in particular: Section A330 that requires that the sample be from a full quarter, not just a sample from a sample period; and that the audit sections from the Articles of Agreement and the Procedures manuals were moved to the Audit manual. However, our opposition with other changes prevent us from supporting the ballot in its current form. We have identified our issues below:

R770.200 We suggest that this section be eliminated. The wording appears to prevent the auditor from making mileage adjustments when the records are classified as inadequate. For example: The auditor classifies the carrier’s mileage records as inadequate. However, during the fuel portion of the audit the auditor finds hundreds of gallons of unreported fuel purchases in several jurisdictions with no reported miles. What is the auditor to do in this situation? 1. Add in the fuel with no jurisdiction miles which would create a tax credit in those jurisdictions? OR 2. Ignore those jurisdictions’ fuel and deny the tax paid credit?

This is a very common issue found in IFTA audits. Carriers often cannot provide mileage records, but they can usually provide some fuel records. This new wording could result in jurisdictions having a credit even though the mileage records were classified as inadequate, due to having audited tax paid gallons and no audited miles.

R770.300 We suggest that this section be eliminated. The application of a 4.00 mpg is to cover the information that cannot be verified because the records are poor or of an inconsistent nature. The current A550 does not refer to the 4.00 adjustment as a penalty. A penalty is due to filing a late tax return or owing additional tax found in an audit.

R770.100.010 (line 222) We suggest adding the word “or audited”. “reduce the licensee’s reported or audited MPG or KPL, by twenty percent”. To illustrate our point- The carrier has inadequate mileage records, so the auditor accepted the miles as reported. The reported mpg was 5.50. The carrier did provide fuel records, and the audited gallons were greater than the reported gallons. This resulted in an audited mpg of 3.75. In this case there would be no mpg adjustment, since both the 4.00 mpg and the
reported mpg (less 20%) are higher than your actual audited mpg. For this reason, we recommend adding in “or audited”.

**R750.110** (lines 122-124). Suggest the following change: “Retail fuel purchases include all those purchases where the licensee buys fuel from a retail station or from a bulk storage facility dispensing fuel legally within the jurisdiction’s statutes”. If a carrier is withdrawing fuel from a 3rd party bulk tank where the owner cannot legally dispense fuel to other customers; the auditor would not know if the fuel was tax paid, or to what jurisdiction the tax was paid. For example: The carrier being audited fueled their IFTA unit from a mobile bulk tank, located 10 miles from the jurisdiction border. 1st - What side of the border was the fuel purchased from? 2nd - Was it tax paid?

**R750.400** (lines 155-159) and **R750.600** (lines 170-177)
1. Suggest adding .020 to R750.400 which says: Bulk withdrawal records that indicate the bulk tank location. We feel bulk fuel withdrawal records should be listed under R750.400. In addition, R750.600.005 states that each bulk withdrawal should list the location of the tank. Since our suggestion includes having the bulk location on the withdrawal log, we then recommend removing R750.600.005. Our thoughts are, you don’t need to list the location of the bulk tank for each individual bulk withdrawal, as long as the withdrawal log itself lists the location of the bulk tank.
2. Suggest adding .025 to R750.400 which says: Bulk storage tank(s) must have a reliable meter to accurately report fuel withdrawn. How can a carrier measure fuel from the bulk tank without a meter, unless they are estimating? We also suggest adding the word “metered” in R750.600.015. “The metered quantity of fuel withdrawn.”

**R750.500** (lines 161-168) Suggest adding back all of the current R1020 vs. just parts of it.

**R710** We would like lines 34 through 37 to be removed. We do not think that carriers should be allowed to destroy records after an audit, prior to 4 year record retention requirement. This also may conflict with jurisdictional statutes of record retention.

**R720** Line 51. We would like the original language from the current A540.200 to be retained. “The audit will be completed using the best information available to the base jurisdiction. The burden of proof is on the licensee”.

**R740, R750, R760** Lines 108–113, 187-196, 206-212

We feel these sections need to be more consistent with one another.
1. R740.300 (line 108), should be the same proposed wording as R750.900 (lines 187 & 188). This will cover distance as a whole and not just “distance readings”.
2. R740.300 and R750.900 should have the same sub points- (.005-.020,). We recommend using the wording under R740.300 for both miles and fuel.
3. R740.300.010 (line 111) Suggest changing to the following: “Reflect a consistent cut-off procedure by the license, which is the same for distance and fuel”. It has always been an understanding that you can have an alternative cut off procedure as long as miles and fuel are reported together.
4. R760.200 (lines 206-212) Since this topic has already been covered under the R740 and R750, we do not believe it needs to be repeated here.
R750 (lines 115-186) It appears much of the wording in R750 is duplicated and/or in direct conflict with current Article X, which was not eliminated. All of our comments regarding section R750 are made under the assumption that Article X will be eliminated.

R750.700 (lines 179-183) We recommend that this section be removed. We do not feel that the requirements for alternative fuels would be any different than for traditional fuels.

R1000 Article X Did you intend to eliminate this section? It contradicts much of the proposed language in R750.

Deleted A680 Why was this entire section eliminated? Shouldn’t there be some documentation of the auditors work in the auditor’s file?

A460.600.005 (line 772) Add the word “narrative”. “The narrative report must indicate the procedures, findings, any requirements to become compliant and any additional information deemed necessary.”

Our suggested change mirrors the wording in the IRP.

Deleted A710 Since records reviews were approved for the IRP, was there any discussion for doing the same in the IFTA?

Deleted P530.200 We recommend this section be added back to the new section R710

Clerical errors found:

- Line 118. There is an extra comma after the word “and”.

NEVADA
Support

Nevada has read the comments from other jurisdictions and while we agree there are some areas of the ballot that need to be corrected, we are confident that all material corrections will be made by the ICAWG prior to the second comment period.

Nevada believes this ballot goes a long way to bring consistency between IRP and IFTA distance requirements and goes a step further to provide room for changing technologies without requiring a change to the language.

NEW BRUNSWICK
Oppose

Too many changes contained in one ballot, very confusing.
NEW HAMPSHIRE
Oppose

We are opposed for similar reasons as stated by Maine and Nebraska.

NEW JERSEY
Support

NEW MEXICO
Undecided

NEW YORK
Oppose

R760.200 - Variances in fuel and mileage reporting cut-off's, though consistent, could result in increased return exceptions for smaller licensees (ie. mpg exceptions).

R770.100 - Believe that the language is too restrictive to base jurisdictions.

R700.200 - The records retention requirement of the licensee seems to be diluted by adding this language.

NORTH CAROLINA
Oppose

Like Michigan, NC appreciates the hard work and efforts put into this ballot by the various committees but recommends breaking this ballot into several smaller ballots which could be voted upon separately.

NOVA SCOTIA
Oppose

We also appreciate the work done by the Audit Committee. But like many of the other jurisdictions we believe this ballot should be in fact multiple ballots as there are parts which we don't support such as R770.100 while there are many other parts which we do support.

ONTARIO
Oppose

OREGON
Oppose

Overall, I would recommend a No vote:

Material Issues:

- R740.100 - I would like to see Intermediate Stops as a requirement in manual record keeping processes. (pg 4)
- R770.100 – At the least, it sets up a conflict with the Audit Manual Section A550. Read literally, it limits the discretion of the base jurisdiction to use an Industry Average only on specific vehicles and not the fleet as a whole. (pg 7 & 15)
• R770.100 – Directs the base jurisdiction to automatically default to 4.0 MPG or reduce MPG by 20% if records not provided within 30 days. Again, a literal reading directs the base jurisdiction to conduct a default audit even if records were provided but after the 30 day deadline, so if they provided records on the 32nd day, we would still be required to do a default audit? This is language that is in the current version but I still disagree with the wording. (pg 7)

• R770.300 – Including the verbiage “or with respect to audits generally” sets up a conflict with Article R1220 Penalties. (pg 7)

• A330 – Removed the language about audits being conducted on a sampling basis unless the specific situation dictates otherwise. This language has been beneficial at times when a licensee was insistent on a full audit. I oppose removing this language. (pg 15)

• A330 – Requiring at least one full calendar quarter for every year under audit can be hard to meet if auditing large accounts. We would either have to shorten the audit period resulting in less time covered in the audit or audit fewer vehicles, which may result in wide variances in large fleets. (pg 15)

Housekeeping:

• References to other sections should include the designation “R” or “A” for clarity. (R710 pg 3; R1370 pg 9)

• R730 should refer to elements set out in R740, R750 and R760 - not R730, R740, R750. (pg 4)

PENNSYLVANIA
Undecided

Well-intentioned, but may conflict with some jurisdictions’ laws.

QUEBEC
Oppose

Too many changes in one ballot. I agree with Maine and Nebraska.

RHODE ISLAND
Oppose

Opposed for many of the reasons stated by Maine, Nebraska, and Oregon.

SASKATCHEWAN
Oppose

As voiced by other jurisdictions this ballot should be divided into smaller workable ballots.

Stakeholders
Support

ATA - Robert Pitcher

The adoption of this ballot will serve to modernize and clarify IFTA’s language on audit and record keeping. It will provide a degree of flexibility to licensees without endangering the jurisdictions’ ability to conduct thorough fuel use tax audits. And it will render IFTA’s record keeping and auditing rules for
licensees’ distance accounting very similar and in most instance identical to IRP’s rules. These changes need to be adopted if licensees are not to be faced with different and sometimes conflicting requirements from the two Agreements, and if jurisdictions are not to be required to conduct audits under two different sets of rules. The proposal here alters very little the existing IFTA rules for accounting and auditing for fuel. Some of the other comments posted here observe that this is a lengthy ballot, with a lot of changes. Considering that record keeping and audit is really one large, integrated subject, this is the only manner in which it could be successfully amended: all at once. IRP took this step two years ago, and the new requirements appear to be operating well there. There is no reason to suppose the changes here will not work equally well with IFTA. IFTA needs this amendment if it is to stay current with changing technology and if it is to provide adequate record keeping and auditing guidance to its members and licensees.

TENNESSEE
Support

UTAH
Oppose

Utah agrees with the comments by Kansas and Maine

WASHINGTON
Oppose

The proposed penalty provision appears restrictive. The proposed ballot language actually restricts a state to two courses of action: (1) Fleet level 4MPG OR 20% reduction in MPG OR (2) Vehicle level MPG estimation based upon various criteria. Current IFTA language today allows fleet or vehicle level MPG estimation based upon various criteria.

WEST VIRGINIA
Undecided

What is meant in R 740.100 “vehicle tracking system” is this a GPS system? If so, I think it should state so. Not too keen on R 750.800. There may be cases where more evidence is needed. R-750.900 allows deviation from a calendar quarter basis. A carrier should be able to cut off at the end of a quarter. This may be intended for trips that may carry over from one end of a quarter to the next. This section may cause revisions of the audit reports/forms/spreadsheets to see if everything thing required is being included.
IFTA FULL TRACK PRELIMINARY BALLOT PROPOSAL  
#4-2014

**Sponsor**
IFTA Audit Committee

**Date Submitted**
July 8, 2014

**Proposed Effective Date**
January 1, 2016

**Manual Sections to be Amended**
IFTA Audit Manual (January 1996 Version, Effective July 1, 1998, as revised)
A300 IFTA Auditing Standards
A310 Number of Audits

**Subject**
Setting a clear standard for when an audit qualifies to be counted toward the satisfaction of a member jurisdiction’s quota requirements.

**History/Digest**
IFTA ballot #02-2011 was passed on January 19, 2012 and became effective on passage. It changed A300 Audit Standards and A310 Number of Audits. The intent of the ballot was: *To remove the term “one registration year” and replacing it with “license” so that it conforms with the language used to describe an IFTA licensee.***

The language was interpreted to mean that a member jurisdiction had to conduct an audit covering all quarters, under which a license is in effect, for a calendar year in order for the audit to count toward quota requirements.

**Intent**
The intent of this ballot is to set qualifications for when an audit counts toward the satisfaction of a member jurisdiction’s quota requirements.

It would allow an audit that includes four consecutive quarters to count as an audit toward audit quota.
requirements. It would remove the current requirement for an audit to cover at least one license year to be counted toward the audit quota requirement.

If a member jurisdiction chooses, and as long as four consecutive quarters are included in the audit period, it could match the audit period for an IFTA audit with the distance period of an IRP audit.
A300      IFTA AUDITING STANDARDS

*A310 NUMBER OF AUDITS

Base jurisdictions will be held accountable for audits and will be required to complete audits of an average of 3 percent per year of the number of IFTA accounts required to be reported by that jurisdiction on the annual reports filed pursuant to the IFTA Procedures Manual, Section P1110.300.005 excluding new licensees, for each year of the program compliance review period, other than the jurisdiction’s first implementation year. Such audits shall cover at least one license year. This does not preclude audits of individual licensees several times during the program compliance review period. However, audits of a single licensee that cover multiple license years, fuel types, or both shall be counted as one audit for the program compliance review purposes.

A jurisdiction is required to complete audits on a specific number of licensees during their program compliance review period. To calculate the number of audits required for the program compliance review period a jurisdiction utilizes the information from the jurisdiction’s annual report for each year subject to the program compliance review.

.100 For a jurisdiction that has undergone a program compliance review, the required number of audits is determined by subtracting the number of new licensees per P1110.300.025 from the total number of IFTA accounts per P1110.300.005 and multiplying the result by 3 percent.

.200 If a jurisdiction becomes a new IFTA member, audits are not required in the first year of membership. For the second year of membership the new jurisdiction will multiply the total number of IFTA accounts per P1110.300.005 by 3 percent to determine the required number of audits. Subsequent years will utilize the calculation in A310.100.

To qualify as an audit for the purposes of A310 an audit shall cover at least four consecutive quarters. This does not preclude audits of individual licensees several times during the program compliance review period. However, audits for a licensee selected that cover multiple license years, fuel types, or both shall be counted as one audit for program compliance review purposes.
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Support: 10  
Oppose: 22  
Undecided: 5

**ALABAMA**  
Oppose

**ALBERTA**  
Oppose

The ballot is unclear and we have the same concerns as Nebraska. Using the same audit period for IFTA and IRP will result in less administrative burden for both the jurisdiction and the carrier.

**ARIZONA**  
Support

**BRITISH COLUMBIA**  
Support

**CONNECTICUT**  
Oppose

We oppose this ballot due to a lack of clarity as per Oregon's comments.

**IDAHO**  
Support

**ILLINOIS**  
Undecided

**IOWA**  
Undecided

This ballot is on the correct path, it just needs further clarification for it to be supported.

**KANSAS**  
Oppose

If read correctly, a jurisdiction could potentially get credit for doing a one or two quarter audit. Shouldn't at least 4 quarters be considered to get credit for an audit?

**KENTUCKY**  
Support

**MAINE**  
Oppose

Maine concurs with Oregon's comments.
MANITOBA
Oppose

MARYLAND
Oppose

Maryland agrees with Oregon regarding the lack of clarity.

MASSACHUSETTS
Oppose

MICHIGAN
Oppose

Agree with the intent of the ballot, but oppose the current wording.

MINNESOTA
Oppose

Minnesota feels the proposal wording is vague, confusing and open to interpretation. In the current wording we may be opening the door for creative counting to meet the audit quota standards. MN is interpreting that the current proposal would allow a jurisdiction to count an audit if a carrier filed a tax return for one quarter. Citing examples for illustration purposes is helpful and assists in clarification. We recommend a change to read “To qualify as an audit for the purposes of A310 an audit shall cover at least four consecutive quarters.

MISSOURI
Support

MONTANA
Oppose

The recommended changes they are recommending are convoluted and do not resolve the concern. A simple change such as replacing “license year” with 4 consecutive quarters or 12 consecutive months would provide greater flexibility.

NEBRASKA
Oppose

Nebraska does not support the ballot as currently written and offers the following alternative for your consideration:

A300, A310 Number of Audits Lines 29 - 32:

To qualify as an audit for the purposes of A310 an audit shall cover at least four consecutive quarters. The four consecutive quarters that a member jurisdiction has a right to audit would include any four consecutive quarters where a license was or should have been in force.

Lines 32 (beginning with This does not preclude...) through 35 remain unchanged.
For jurisdictions that audit IRP and IFTA, it is not uncommon to audit four quarters that correspond to the IRP July - June reporting period (3rd and 4th quarter of one license year and 1st and 2nd quarter of the following license year). By replacing the proposed language with four consecutive quarters jurisdictions have the flexibility to audit a calendar year or some other 12 month period, provided the audited quarters are consecutive. Further, Nebraska does not support the idea that jurisdictions can count a one quarter audit as an audit for reporting purposes.

**NEVADA**
Undecided

Nevada agrees with the comments made by Oregon. However, we believe an "audit" of less than 4 quarters should be permitted provided the jurisdiction covers all of the auditable quarters in the license year. This addition prevents a carrier from base jurisdiction hopping.

If the jurisdiction follows all the same procedures for an audit, sampling, internal control evaluation, opening/closing conferences, etc., it should not matter if the carrier was in business for one quarter or all four quarters of the licensing year. A sample within a licensing year is only one quarter of the four anyway. Therefore, it should not matter if all auditable quarters within a license year, or all four quarters of a licensing year, or four consecutive quarters are selected, the amount of work to conduct the audit is the same.

**NEW BRUNSWICK**
Oppose

We support the intent of the ballot, however the wording is confusing.

**NEW HAMPSHIRE**
Oppose

We are opposed for the similar reasons cited by Maine and Nebraska.

**NEW JERSEY**
Oppose

I support the intent however I am in agreement with others that there needs to be some clarification.

**NEW MEXICO**
Undecided

**NEW YORK**
Oppose

Agree with the intent however the wording is confusing.

**NORTH CAROLINA**
Support

**NOVA SCOTIA**
Oppose
We oppose the ballot as currently written. We find it confusing. An example of how it currently works as compared to how it will work would be most beneficial.

**ONTARIO**
Oppose

**OREGON**
Oppose

I recommend a No vote. I don’t believe the changes are clearly worded and may introduce unintended consequences.

- “…an audit shall cover all quarters available within at least one license year for which a member jurisdiction has the right to audit.” I’m not sure what that means. There is no statute of limitations regarding how far back a jurisdiction may audit in the Agreement. If Oregon has an administrative rule determining that we can audit back 4 years from the filing of the tax return, does this language then REQUIRE us to audit all quarters of that license year?

- A310.100 is not clearly worded. Suggest “For a jurisdiction which has undergone a program compliance review, the required number of audits is determined by subtracting the number of new licensees per P1110.300.025 from the total number of IFTA accounts per P1110.300.005 and multiplying the result by 3 percent. (Reference to P110.300.025 is incorrect in the ballot.)

- A301.200 “…multiply the total number of IFTA accounts per P1110.300.005 by 3 percent.” (Reference to P111.300.005 is incorrect in the ballot.)

**PENNSYLVANIA**
Undecided

**QUEBEC**
Oppose

wording is confusing, need some clarification.

**RHODE ISLAND**
Oppose

The intent of the ballot is good but the current wording is confusing.

**SASKATCHEWAN**
Support

**TENNESSEE**
Support

**UTAH**
Oppose
WASHINGTON
Support

WEST VIRGINIA
Support