

IFTA Program Compliance Review

JURISDICTION OF CONNECTICUT FINAL DETERMINATION FINDING OF NON-COMPLIANCE

This Final Determination Finding of Non-Compliance ("Finding") is issued to the jurisdiction of Connecticut by the Program Compliance Review Committee ("PCRC"). The PCRC is a standing committee of the International Fuel Tax Association, Inc. as defined by the International Fuel Tax Agreement ("IFTA"). Connecticut has failed to comply with the provisions of the Agreement cited herein.

Non-Compliance History:

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| 2014-2018 Non-Compliance Issue: |
|--|

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.

Discussion:

Connecticut did not meet the 3% requirement. Connecticut was required to complete 328 audits during the review period and completed 287 for an average of 2.62%.

Connecticut Response:

We agree with the Review Teams Findings. During the early years of this review period, we were transitioning into a new processing system which required our Revenue Examiners to spend time training and assisting taxpayers on how to use the new system which prevented them from conducting audits. Also, during this review period, two of our most experienced Revenue Examiner 3's, the Revenue Services Tax Supervisor and the Tax Unit Manager all retired. While we did our best to train other Revenue Examiners, a Tax Unit Tax Supervisor and two Accounting Career Trainees on IFTA audits, the learning curve prevented us from completing the necessary audits. We anticipate that with a newly trained staff, we will be able to meet our goals and make up the shortage from this review period.

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| 2019 – 2023 Non-Compliance Issue |
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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.

Discussion:

Connecticut was required to complete an additional 41 audits this review cycle since they did not meet their 3% audit requirement in 2019. With Connecticut's election to include 2020 audits, Connecticut completed 239 audits during the period of 2019-2023, which is 118 less than required and does not make up for the shortage from the previous review cycle of 2014-2018. Connecticut is not in compliance with the previously cited Audit Manual, Section A250.

IFTA Program Compliance Review

Connecticut did not meet the 3% requirement. Connecticut was required to complete 357 during the review period and completed 239, a shortage of 118 audits, for an average of 2.01%.

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.

Discussion:

Connecticut did not meet the 25% high-distance audit requirement. Connecticut was required to complete 89 high-distance audits and completed 37, a shortage of 52 audits.

Summary

Letter to Commissioner Romeo dated August 26, 2019

"The Program Compliance Review Committee (PCRC) reported to IFTA, Inc. that it had reviewed Connecticut's and have concluded the following:

The PCRC requires Connecticut complete an extra 41 audits prior to their 2024 Compliance Review. The 41 audits will not count toward the total audit count. There must be 41 audits more than the 3% requirement.

Failure to complete the additional 41 audits and meet your 3% requirement prior to the next Compliance Review will result in a Final Determination Finding of Non-Compliance. Following the issuance of a Final Determination Finding of Non-Compliance pursuant to Section R1555.200 of the IFTA Articles of Agreement, the Committee will refer the matter to the IFTA membership."

Finding

Due to Connecticut's failure to comply with A250 in two (2) consecutive Compliance Review Periods and its failure to comply with A260 High-Distance Accounts requirement of the IFTA Audit Manual in the current review period, the Program Compliance Review Committee has issued a Final Determination Finding of Non-Compliance pursuant to the IFTA Program Compliance Committee Review Guide, Section III.B, and Articles of Agreement, Section R1555. These matters will be referred to the Dispute Resolution Committee to be heard as a dispute with a copy to the Executive Director of IFTA, Inc for notification to all member jurisdictions.

ISSUED THIS ____ DAY OF June, 2024.

Paula Cole (ME), Chair

**IFTA Program Compliance Review
Accountability Calculator**

| | |
|----------------------------------|-------------------------|
| JURISDICTION: Connecticut | DATE: 2014- 2018 |
|----------------------------------|-------------------------|

| | | |
|----------------------|--------------|-------------|
| Review Years: | First | Last |
| | 2014 | 2018 |

| | | | | | | |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
| <u># of Licensees:</u> | 2,495 | 2,531 | 2,397 | 2,371 | 2,445 | |
| <u>Less: # of NEW Licensees:</u> | 209 | 283 | 272 | 244 | 304 | |
| <u>Equals: Net # of Licensees:</u> | 2,286 | 2,248 | 2,125 | 2,127 | 2,141 | |
| Annual Report Year: | 2013 | 2014 | 2015 | 2016 | 2017 | |
| Plan Year | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | |
| <u>Actual # of Licensees Audited:</u> | <u>75</u> | <u>56</u> | <u>44</u> | <u>58</u> | <u>54</u> | |
| Annual Audit Requirements: | | | | | | |
| IFTA 3% Requirement number: | <u>69</u> | <u>67</u> | <u>64</u> | <u>64</u> | <u>64</u> | |
| | | | | | | <u>Total</u> |
| <u>Annual overage/Shortage:</u> | 6 | (11) | (20) | (6) | (10) | (41) |

Selection of Audits

| | | | |
|-----------------------------------|--------------------|-------------------|------------------|
| High Distance Requirements | 25% | Audits | |
| | <u>Requirement</u> | <u>Completed</u> | <u>Variance</u> |
| 2014 | 17 | 28 | 11 |
| 2015 | 17 | 22 | 5 |
| 2016 | 16 | 23 | 7 |
| 2017 | 16 | 20 | 4 |
| 2018 | 16 | 8 | (8) |
| <u>Totals To Date</u> | <u>82</u> | <u>101</u> | <u>19</u> |
| Low Distance Requirements | 15% | Audits | |
| | <u>Requirement</u> | <u>Completed</u> | <u>Variance</u> |
| 2014 | 10 | 13 | 3 |
| 2015 | 10 | 13 | 3 |
| 2016 | 10 | 4 | (6) |
| 2017 | 10 | 13 | 3 |
| 2018 | 10 | 9 | (1) |
| <u>Totals To Date</u> | <u>49</u> | <u>52</u> | <u>3</u> |



**INTERNATIONAL
FUEL TAX
ASSOCIATION, INC.**

Manages
The International Fuel Tax Agreement

912 W. Chandler Blvd., B-6
Chandler, AZ 85225-4910
480-212-2508
www.iftach.org

August 26, 2019

SENT VIA EMAIL

L. Michael Romeo, Jr.
Department of Revenue Services
450 Columbus Blvd. STE 1
8th Floor
Hartford, CT 06103-1837

Re: 2019 IFTA Program Compliance Review
Review Date: February-March 2019
Review Period: January 1, 2014 through December 31, 2018
Final Report

Dear Commissioner Romeo:

The Program Compliance Review Committee (PCRC) reported to IFTA, Inc. that it had reviewed Connecticut's and have concluded the following:

The PCRC requires Connecticut complete an extra 41 audits prior to their 2024 Compliance Review. The 41 audits will not count toward the total audit count. There must be 41 audits more than the 3% requirement.

Failure to complete the additional 41 audits and meet your 3% requirement prior to the next Compliance Review will result in a Final Determination Finding of Non-Compliance. Following the issuance of a Final Determination Finding of Non-Compliance pursuant to Section R1555 of the IFTA Articles of Agreement, the Committee will refer the matter to the IFTA membership.

The Final Report will be made available to the IFTA Commissioners on the IFTA, Inc. Web site in the near future.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Maria Coronado
Membership Services Officer
IFTA, Inc.

Enclosures

IFTA Program Compliance Review
Accountability Calculator

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|--|--------------------|--|------------------------|-----------------|-------------------------------|-------------|--|--|--|
| JURISDICTION: Connecticut | | | DATE: 2019-2023 | | | | | | |
| AUDIT ACCOUNTABILITY | | | | | CITE A250 | | | | |
| <p><i>Jurisdictions will be held accountable for audits and will be required to complete audits of an average of 3% per year of the number 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, for each year of the program compliance review period, other than the jurisdiction's IFTA implementation year. R1510.100</i></p> | | | | | | | | | |
| <p>Jurisdiction has met the requirement to audit an average of 3% per year of the IFTA accounts reported on the annual report for each year of the program compliance review.</p> | | | | | Not met | | | | |
| Review Years: | | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;">First</td> <td style="width: 50%; text-align: center;">Last</td> </tr> <tr> <td style="text-align: center;">2019</td> <td style="text-align: center;">2023</td> </tr> </table> | First | Last | 2019 | 2023 | | | |
| First | Last | | | | | | | | |
| 2019 | 2023 | | | | | | | | |
| <u># of Licensees:</u> | 2,510 | 2,334 | 2,694 | 2,980 | 3,512 | | | | |
| <u>Less: # of NEW Licensees:</u> | 292 | 332 | 373 | 506 | 644 | | | | |
| <u>Equals: Net # of Licensees:</u> | 2,218 | 2,002 | 2,321 | 2,474 | 2,868 | | | | |
| Annual Report Year: | 2018 | 2019 | 2020 | 2021 | 2022 | | | | |
| Plan Year | 2019 | 2020 | 2021 | 2022 | 2023 | | | | |
| <u>Actual # of Licensees Audited:</u> | <u>70</u> | <u>81</u> | <u>13</u> | <u>21</u> | <u>54</u> | | | | |
| Annual Audit Requirements: | | | | | | | | | |
| IFTA 3% Requirement number: | <u>67</u> | <u>60</u> | <u>70</u> | <u>74</u> | <u>86</u> | | | | |
| | | | | | 357 | | | | |
| | | | | | Total | | | | |
| <u>Annual overage/Shortage:</u> | 3 | 21 | (57) | (53) | (32) | | | | |
| | | | | | (118) | | | | |
| Selection of Audits - Cite A260 | | | | | | | | | |
| High Distance Requirements | | | | | | | | | |
| | 25% | Audits | | | | | | | |
| | <u>Requirement</u> | <u>Completed</u> | | <u>Variance</u> | | | | | |
| 2019 | 17 | 16 | | (1) | | | | | |
| 2020 | 15 | 14 | | (1) | | | | | |
| 2021 | 18 | 3 | | (15) | | | | | |
| 2022 | 19 | 4 | | (15) | | | | | |
| 2023 | 22 | 0 | | (22) | | | | | |
| Totals To Date | 89 | 37 | | (52) | | | | | |
| Low Distance Requirements | | | | | | | | | |
| | 15% | Audits | | | | | | | |
| | <u>Requirement</u> | <u>Completed</u> | | <u>Variance</u> | | | | | |
| 2019 | 10 | 10 | | 0 | | | | | |
| 2020 | 9 | 22 | | 13 | | | | | |
| 2021 | 11 | 4 | | (7) | | | | | |
| 2022 | 11 | 10 | | (1) | | | | | |
| 2023 | 13 | 17 | | 4 | | | | | |
| Totals To Date | 54 | 63 | | 10 | | | | | |
| <p>At least 15 percent of the jurisdiction's audit requirement involves low distance accounts.</p> <p><i>(Low distance accounts are considered to be 25 percent of the previous year's licensees who had the lowest number of miles/kilometers reported in all member jurisdictions)</i></p> | | | | | <p>A260</p> <p>Met</p> | | | | |
| <p>At least 25 percent of the jurisdiction's audit requirement involves high distance accounts.</p> <p><i>(High distance accounts are considered to be 25 percent of the previous year's licensees who had the highest number of miles/kilometers reported in all member jurisdictions)</i></p> | | | | | Not met | | | | |