

# IFTA Program Compliance Review

## JURISDICTION OF MASSACHUSETTS

### FINAL DETERMINATION OF NON-COMPLIANCE

This Final Determination Finding of Non-Compliance ("Finding") is issued to the jurisdiction of Massachusetts 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"). Massachusetts has failed to comply with the provisions of the Agreement cited herein.

Non-Compliance History:

**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 all of the returns that were filed or required to be filed during a license year or shall cover at least four (4) consecutive quarters. This does not preclude audits of individual licensees several times during the program compliance review period. However, audits of an Audit Manual Audit Program Standards Page 5 of 11 single licensee that cover multiple license years, fuel types, or both shall be counted as one audit for program compliance review purposes.

#### Discussion:

Massachusetts did not meet the 3% requirement. Massachusetts was required to complete 512 audits during the review period and completed 430.

JURISDICTION: Massachusetts		DATE: 2014-2018				
Review Years:		First	Last			
		2014	2018			
# of Licensees:	3,769	3,637	3,714	3,812	3,846	
Less: # of NEW Licensees:	87	415	447	358	421	
Equals: Net # of Licensees:	3,682	3,222	3,267	3,454	3,425	
Annual Report Year:	2013	2014	2015	2016	2017	
Plan Year	2014	2015	2016	2017	2018	
Actual # of Licensees Audited:	108	97	125	59	41	
Annual Audit Requirements:						
IFTA 3% Requirement number:	110	97	98	104	103	
Annual overage/Shortage:	(2)	0	27	(45)	(62)	Total (82)

Correct information was provided by MA for 2014 new accounts. This changed the 3% requirement. MA remains out of compliance.

## IFTA Program Compliance Review

JURISDICTION: Massachusetts		DATE: 2014-2018				
Review Years:		First	Last			
		2014	2018			
# of Licensees:	3,769	3,637	3,714	3,812	3,846	
Less: # of NEW Licensees:	387	415	447	358	421	
Equals: Net # of Licensees:	3,382	3,222	3,267	3,454	3,425	
Annual Report Year:	2013	2014	2015	2016	2017	
Plan Year	2014	2015	2016	2017	2018	
Actual # of Licensees Audited:	108	97	125	59	41	
Annual Audit Requirements:						
IFTA 3% Requirement number:	101	97	98	104	103	
Annual overage/Shortage:	7	0	27	(45)	(62)	Total (73)

**Massachusetts Response:** Massachusetts agrees with these figures and is making an action plan to make up the audit accountability shortfall. We are examining both staffing and auditor availability issues in order to be in a better position to make up the audit deficit. We will try our best to strive for compliance.

### 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:

Massachusetts did not meet the 25% high distance audit requirements. Massachusetts was required to complete 129 high distance audits and completed 83 for an average of 16.21%, a shortage of 46 audits.

Selection of Audits			
High Distance Requirements	25% Requirement	Audits Completed	Variance
2014	28	18	(10)
2015	24	23	(1)
2016	25	19	(6)
2017	26	10	(16)
2018	26	13	(13)
Totals To Date	129	83	(46)

Correct information was provided by MA for 2014 new accounts. This changed the 25% high distance audit requirement. MA remains out of compliance.



## IFTA Program Compliance Review

Selection of Audits			
High Distance Requirements	25% Requirement	Audits Completed	Variance
2014	25	18	(7)
2015	24	23	(1)
2016	25	19	(6)
2017	26	10	(16)
2018	26	13	(13)
<u>Totals To Date</u>	<u>126</u>	<u>83</u>	<u>(43)</u>

**Massachusetts Response:** Massachusetts agrees with these figures and is already addressing the issue. We are utilizing the IFTA Stratification Report to identify the high distance and filter the demographics by region and assign audits systematically. It is worth mentioning again that the IFTA Audit Group had (4) experienced auditors take early retirement packages and leave state service. We are training the newly hired staff to become proficient in IFTA audit examinations and that normally takes some time before they can effectively audit high distance carriers.

### 2019 – 2023 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:

Massachusetts was required to complete an additional 73 audits this review cycle since they did not meet their 3% audit requirement in 2019. With Massachusetts' election to omit 2020 audits, Massachusetts completed 201 audits during the period of 2019-2023, which is 255 less than required and does not make up for the shortage from the previous review cycle of 2014-2018. Massachusetts is not in compliance with the previously cited Audit Manual, Section A250.

#### 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:

Massachusetts was required to complete an additional 43 High-Distance audits this review cycle since they did not meet their 25% requirement in 2019. With Massachusetts's election to omit 2020 audits, Massachusetts completed 114 High-Distance audits, which is 76 less than required and does not make up for the shortage from

## IFTA Program Compliance Review

the previous review cycle of 2014-2018. Massachusetts is not in compliance with the previously cited Audit Manual, Section A260.100.

Massachusetts was required to complete an additional 17 Low-Distance audits this review cycle since they did not meet their 15% requirement in 2019. With Massachusetts's election to omit 2020 audits, Massachusetts completed 68 Low-Distance audits, which is 22 less than required and does not make up for the shortage from the previous review cycle of 2014-2018. Massachusetts is not in compliance with the previously cited Audit Manual, Section A260.100.

### Summary

Letter to Commissioner Adamek dated August 24, 2021

*"The Program Compliance Review Committee (PCRC) reported to IFTA, Inc. that it had reviewed Massachusetts' Final Report and responses and have concluded the following non-compliance issues found will be reviewed during the Massachusetts 2024 Compliance Review. Failure to be in compliance with these non-compliance issues will result in a referral to the Dispute Resolution Committee.*

A460 – Audit report.

- ✓ General Information
- ✓ Summary of Evaluation of Internal Controls
- ✓ Opening and closing conference dates and attendees or reason why, if not held
- ✓ Sampling Methodology Information
- ✓ Distance and Fuel Examination
- ✓ Billing Summary

*Additionally, the PCRC requires Massachusetts complete an extra 73 audits prior to their 2024 Compliance Review. The 73 audits will not count toward the total audit count. There must be 73 audits more than the 3% requirement. Of those 73 audits, there must be 43 high-distance audits and 17 low-distance audits.*

*Failure to complete the additional 73 audits, 43 being high-distance will result in a Final Determination Finding of Non-Compliance. Following the issuance of a Final Determination Findings of Non-Compliance, pursuant to Section R1555 of the IFTA Articles of Agreement, the Committee will refer the matter to the IFTA membership."*

### Finding

Due to Massachusetts's failure to comply with the A250 and the A260 High-Distance requirements of the Audit Manual in two (2) consecutive Compliance Review periods and failure to comply with the A260 Low-Distance requirement of the 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 10<sup>th</sup> DAY OF June, 2024.



Paula Cole (ME), Chair

IFTA Program Compliance Review  
Accountability Calculator

This Accountability Calculator contains corrected information that the 2019 review team accepted as final.

**JURISDICTION:** Massachusetts

**DATE:** 2014-2018

	First	Last
<b>Review Years:</b>	<b>2014</b>	<b>2018</b>

# of Licensees:	3,769	3,637	3,714	3,812	3,846	
Less: # of NEW Licensees:	387	415	447	358	421	
Equals: Net # of Licensees:	3,382	3,222	3,267	3,454	3,425	
Annual Report Year:	2013	2014	2015	2016	2017	
<b>Plan Year</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	
Actual # of Licensees Audited:	108	97	125	59	41	
<b>Annual Audit Requirements:</b>						
IFTA 3% Requirement number:	101	97	98	104	103	
						<b>Total</b>
Annual overage/Shortage:	7	0	27	(45)	(62)	(73)

**Selection of Audits**

High Distance Requirements		25%	Audits	
		Requirement	Completed	Variance
2014	25	18	(7)	
2015	24	23	(1)	
2016	25	19	(6)	
2017	26	10	(16)	
2018	26	13	(13)	
<b>Totals To Date</b>	<b>126</b>	<b>83</b>	<b>(43)</b>	
Low Distance Requirements		15%	Audits	
		Requirement	Completed	Variance
2014	15	33	18	
2015	15	26	11	
2016	15	34	19	
2017	16	14	(2)	
2018	15	9	(6)	
<b>Totals To Date</b>	<b>75</b>	<b>116</b>	<b>41</b>	





International Fuel Tax Association, Inc.  
P. O. Box 7147  
Mesa, AZ 85216-7147  
www.iftach.org

August 4, 2021

**SENT VIA EMAIL**

Steve Adamek  
Massachusetts Department of Revenue  
Worcester Audit District Office  
67 Millbrook Street  
Worcester, MA 01606-2844

Re: 2019 IFTA Program Compliance Review  
Review Dates: May-June, 2019  
Review Period: January 1, 2014 through December 31, 2018  
Final Report

Commissioner Adamek,

The Program Compliance Review Committee (PCRC) reported to IFTA, Inc. that it had reviewed Massachusetts' Final Report and responses and have concluded the following non-compliance issues found will be reviewed during the Massachusetts 2024 Compliance Review. Failure to be in compliance with these non-compliance issues will result in a referral to the Dispute Resolution Committee.

A460 – Audit report.

- ✓ General Information
- ✓ Summary of Evaluation of Internal Controls
- ✓ Opening and closing conference dates and attendees or reason why, if not held
- ✓ Sampling Methodology Information
- ✓ Distance and Fuel Examination
- ✓ Billing Summary

Additionally, the PCRC requires Massachusetts complete an extra 73 audits prior to their 2024 Compliance Review. The 73 audits will not count toward the total audit count. There must be 73 audits more than the 3% requirement. Of those 73 audits, there must be 43 high-distance audits and 17 low-distance audits.

Failure to complete the additional 73 audits, 43 being high-distance will result in a Final Determination Finding of Non-Compliance. Following the issuance of a Final Determination Findings of Non-Compliance, pursuant to Section R1555 of the IFTA Articles of Agreement, the Committee will refer the matter to the IFTA membership.

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

Sincerely,

Maria Coronado, IFTA, Inc.  
Program Compliance Review Facilitator

cc: Bruce Bierbaum (VT), PCRC Chair

IFTA Program Compliance Review  
Accountability Calculator

<b>JURISDICTION:</b> Massachusetts		<b>DATE:</b> 2019 - 2023					
<b>AUDIT ACCOUNTABILITY Omit 2020</b>							<b>CITE</b>
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							<b>A250</b>
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.							Not Met
<b>Review Years:</b>	First 2019	Last 2023					
<b># of Licensees:</b>	4,076	4,094	4,199	4,555	4,504		
<b>Less: # of NEW Licensees:</b>	438	403	437	688	560		
<b>Equals: Net # of Licensees:</b>	3,638	3,691	3,762	3,867	3,944		18,902
<b>Annual Report Year:</b>	2018	2019	2020	2021	2022		
<b>Plan Year</b>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>		
<b>Actual # of Licensees Audited:</b>	47		50	56	48		201
<b>Annual Audit Requirements:</b>							
<b>IFTA 3% Requirement number:</b>	109		113	116	118		456
							<b>Total</b>
<b>Annual overage/Shortage:</b>	(62)		(63)	(60)	(70)		(255)
<b>Selection of Audits - Cite A260. (Omit 2020)</b>							
<b>High Distance Requirements</b>	25% Requirement	Audits Completed		Variance			
2019	27	3		(24)			
2020							
2021	28	8		(20)			
2022	29	12		(17)			
2023	30	15		15			
<b>Totals To Date</b>	<u>114</u>	<u>38</u>		<u>(76)</u>			
<b>Low Distance Requirements</b>	15% Requirement	Audits Completed		Variance			
2019	16	12		(4)			
2020							
2021	17	10		(7)			
2022	17	17		0			
2023	18	7		(11)			
<b>Totals To Date</b>	<u>68</u>	<u>46</u>		<u>(22)</u>			
At least 15 percent of the jurisdiction's audit requirement involves low distance accounts. (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)							CITE A260 Not Met
At least 25 percent of the jurisdiction's audit requirement involves high distance accounts. (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)							Not Met
If selected this worksheet will be used if a jurisdiction seeks relief for A250 and A260 for 2020 due to COVID 19							