



**INTERNATIONAL
FUEL TAX
AGREEMENT**

**AUDIT
MANUAL**

**Effective:
January 1, 1996- December 31, 2016**

Audit Manual

TEXTUAL NOTE

The International Fuel Tax Agreement Audit Manual has been subject to amendments under Section R1600 of the Articles of Agreement. It is the purpose of this publication to provide a commentary when sections have been amended.

This version of the Audit Manual is effective from January 1, 1996 through December 31, 2016 and includes commentary and consensus board interpretations that affected the Audit Manual.

An asterisk (*) next to a Section number indicates commentary to that Section.

TABLE OF CONTENTS		Page Number
A100	Introductions	4
	Commentary to A100	5
A200	General Auditing Standards	6
A210	General Standards	6
A220	Examination Standards	6
A230	Reporting Standard	6
	Commentary To A200	7
A300	IFTA Auditing Standards	8
A310	Number Of Audits	8
A320	Selection Of Audits	8
	Commentary To A300	9
A400	Personnel Qualifications And Responsibilities	12
A410	Administration	12
A420	Audit Staff	12
	Commentary To A400	13
A500	General Guidelines	14
A510	Uniformity	14
A520	Standard Approach	14
A530	Sampling	14
A540	Verification Of Licensee Records	14
A550	Inadequate Licensee Records/Assessment	15
	Commentary To A500	16
A600	The Audit Process	17
A610	Audit Notification	17
A620	Pre-Audit Communication Between Jurisdictions	17
A630	Pre-Audit Conference	17
A640	Evaluation Of Internal Control	17
A650	Close-Out Conference	19
A660	Audit Reports	19
A670	Audit Documentation	20
A680	Audit File Contents	20
A690	Communication Of Audit Findings	21
	Commentary To A600	23
A700	Compliance	27
A710	Follow-Up Visits	27
A720	Reminder Letters	27
A730	Presumption Of Findings	27
Appendix Examples		28
Example A		28
Example B		29

***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.

Commentary to A100

A100 See commentary to IFTA Audit Manual Section 680.300 and 680.500 regarding notification of audit results to affected jurisdictions.

A100 IFTA Ballot 17-2004 amended the IFTA Audit Manual, Section A100 to make language consistent with other governing documents and was effective January 2006.

***A200 GENERAL AUDITING STANDARDS**

A210 GENERAL STANDARDS

.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**

.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**

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.

Commentary to A200

- A200** *Standards in this section have been adapted with permission from AICPA Professional Standards, Copyright (c) 1993 American Institute of Certified Public Accountants, Inc.*
- A220.100** *IFTA Ballot 5-2002 amended the IFTA Audit Manual Section A220 by changing .200 to .100 and*
- A220.200** *revising the new .100 to require documented pre-audit analysis and was effective July 1, 2004.*
- A230** *IFTA Ballot 6-2002 amended the IFTA Audit Manual to require a clear statement of the scope of the audit and description of the results and was effective January 2004.*

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 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.

***A320 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.

Commentary to A300

A310 *In July 1991, the membership unanimously ratified inclusion of Consensus Board Interpretation, Issue 8, questions 1 and 2, as narrative to IFTA Audit Manual Section A310.*

[EDITOR'S NOTE: In light of the passage of Ballot 14-1995 effective July 1, 1997, Commentary resulting from the ratification of Issue 8, Question 1, is for historical reference only.]

QUESTION 1: *Most states do not begin their IFTA audit program until at least one year's worth of returns are filed. Does the five-year audit requirement begin on the date the state's audit program begins, on the date the state's membership became effective, on the date the state became approved for membership, or on the date that the first three-year audit can be conducted (three years after the first IFTA return was filed)?*

BOARD INTERPRETATION:

The Board consensus was that a jurisdiction should begin its IFTA audit program on its implementation date. The beginning of an IFTA audit program should include, but not be limited to, the hiring of sufficient audit personnel to meet the audit requirements and development and implementation of an auditor training program. Audits will not be performed until one year from the jurisdiction's implementation date.

QUESTION 2: *Effective January 14, 1992, the IFTA audit requirement will change due to Ballot 90-316-2 which changes the percentage from "25 percent every three years to "15 percent every five years". Is the change retroactive or do states have to provide 25 percent coverage up to the effective date and then 15 percent thereafter?*

BOARD INTERPRETATION:

The Board consensus was that the change in percentage of audits from 25 percent every three years to 15 percent every three [sic] years is retroactive to the date of the jurisdiction's implementation.

A310 *In July 1990, the southern states expressed their interest in joining IFTA, but raised several concerns regarding audit policies and procedures. The membership unanimously approved the formation of a subcommittee to address these concerns. The subcommittee recommended modifying the minimum percentage of audits to be performed in a five-year period.*

A310 *In January 1994, concerns were expressed concerning the inability of jurisdictions to meet the first five-year audit requirement. IFTA Ballot 14-95 amended IFTA Audit Manual Section A310 to provide that a jurisdiction's implementation year is not included in the first five-year period and was effective July 1, 1997.*

A310 *IFTA Ballot 6-1997 amended IFTA Audit Manual Section A310 to remove the requirement that, upon completion of an audit, the base jurisdiction shall forward an interjurisdictional audit report to all affected jurisdictions within 30 days and was effective July 1, 1999.*

A310 *In July 1996, the membership unanimously ratified inclusion of Consensus Board Interpretation, Issue 49-96, as narrative to the IFTA Audit Manual Section A310.*

ISSUE: *For jurisdictions implementing on dates other than January 1, can the required 5-year/15% audit requirement be proportionally reduced to equate to the number of months the jurisdiction is in IFTA that year?*

BOARD INTERPRETATION:

For a jurisdiction implementing on a date other than January 1, an average of 3% per year to equate to the required audits of 15% of a jurisdiction's licensees in a 5-year period will be proportionally reduced to equate to the number of months in IFTA that year. The requirement will be based on the full calendar year for each year after implementation.

A310 *In January 1994, concerns were expressed concerning the diversity of content of IFTA audit reports exchanged among jurisdictions. IFTA Ballot 13-1995 amended IFTA Audit Manual Section A310 to provide for an interjurisdictional audit report and was effective July 1, 1997.*

A310 *IFTA Ballot 7-1996 amended IFTA Audit Manual Section A310 to change the number of audits required to be conducted by member jurisdictions from 15% of IFTA accounts every 5 years to an average of 3% per year of IFTA accounts reported by jurisdictions on their annual reports filed for each year of a program compliance review period and was effective July 1, 1998.*

A310 *In July 1997, the membership unanimously ratified inclusion of Consensus Board Interpretation, Issue 51-97, as narrative to the IFTA Audit Manual Section A310.*

ISSUE: *Would an account that is not registered as an IFTA account, and through an audit it was determined that it was operating as an IFTA carrier, count towards a jurisdiction's IFTA audit quota?*

BOARD INTERPRETATION:

An account that is not registered as an IFTA account, but is determined pursuant to an audit to be operating as an IFTA carrier, will be applied toward a jurisdiction's 15% IFTA audit quota.

A310 *IFTA Ballot 4-2001 amended IFTA Audit Manual Section A310 to remove a reference to a five-year period for audit compliance and was effective November 26, 2001.*

A310 *IFTA Ballot 7-2002 amended IFTA Audit Manual Section A310 to require that an audit cover at least one registration year and to require that an audit of one licensee using multiple fuel types and/or multiple years counts as only one audit and was effective on July 1, 2004.*

A310 *IFTA Ballot 12-2005 amended IFTA Audit Manual Section A310 to exclude new licensees from the number of IFTA accounts used to calculate a jurisdiction's audit requirement and was effective January 1, 2007.*

A310 *IFTA Ballot 2-2011 amended IFTA Audit Manual Section A310 to clarify the language by removing the word registration and replacing it with license so that it conforms with the language used to describe an IFTA licensee and was effective January 20, 2012.*

A320 *IFTA Ballot 1-1997 amended the IFTA Audit Manual to delete Section A320.400 which provided that during January and July of each year, the member jurisdictions must notify IFTA, Inc. of intended audits of licensees with vehicle fleets of over 25 qualified motor vehicles and was effective July 1, 1999.*

A320 *IFTA Ballot 9-2003 amended the IFTA Audit Manual to delete Section A320.300 which provided that the requirements of A320.100 could be waived for any member jurisdiction by agreement of a majority of the Audit Committee and was effective October 10, 2003.*

A320.100 *In July 1990, the membership unanimously approved amending IFTA Ballot 10 to change the audit*

- A320.200** requirement back to 15 percent for low-distance accounts, to require notification to members of audits only for carriers with over 25 qualified motor vehicles, and to clarify that the repository will provide audit information only to requesting member jurisdictions. Ballot 90-316-3 amended IFTA Audit Manual Sections A320.100, A320.200, and A320.400 effective January 14, 1992.
- A320.200** IFTA Ballot 7-1996 amended the IFTA Audit Manual Section A320.200 to provide that low and high distance computations shall be based on total miles/kilometers operated by the IFTA licensees reported on a jurisdiction's annual report, and shall include licensees reporting no operations and was effective July 1, 1998.
- A320.200** IFTA Ballot 12-2005 amended IFTA Audit Manual Section A32.200 to exclude new licensees from the number of IFTA accounts used to calculate a jurisdiction's low distance and high distance audit requirements and was effective January 1, 2007.
- A320.400** **[EDITOR'S NOTE: In light of the passage of Ballot 1-1997, effective July 1, 1999, which removed Section A320.400, Commentary to A320.400 below is for historical reference only.]**
- A320.400** See commentary for IFTA Audit Manual Section A320.100 regarding audit requirements for low/high-distance accounts, audit notification, and disclosure of audit information.
- A320.400** In July, 1997, the membership ratified inclusion of Consensus Board Interpretation, Issue 53-97, as narrative to the IFTA Audit Manual, Section A320.400

ISSUE: Would a jurisdiction be out of compliance for failing to send a notice in January and July of the first year of implementation to the IFTA repository stating the carriers of more than 25 qualified motor vehicles that they plan to audit?

BOARD INTERPRETATION:

A jurisdiction is not required to send a list of carriers to be audited if no carrier with 25 or more qualified vehicles is to be audited in the six month period. A finding of non-compliance may only be found if it is determined that an audit of a carrier with 25 or more qualified vehicles is audited.

- A310** In July 2000, the membership ratified inclusion of Consensus Board Interpretation, Issue 57-00, as narrative
- A320** to the IFTA Audit Manual, Sections A310 and A320.

ISSUE: Whether the high/low distance audit accountability requirements should be averaged over the review period for purposes of program compliance reviews.

BOARD INTERPRETATION:

The IFTA Audit Manual, Sections A310 and A320, support calculating the high and low distance audit requirements by both an average and an annual calculation method. A Program Compliance Review team will calculate the high and low distance audit requirement using both methods. If a jurisdiction meets the requirements based on either calculation method, a jurisdiction is in compliance.

A400 PERSONNEL QUALIFICATIONS AND RESPONSIBILITIES

***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.

***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.

Commentary to A400

A420 *IFTA Ballot 9-2002 amended the IFTA Audit Manual Section A420 to: 1) .100 – require an auditor to be personally and organizationally independent from the licensee; and 2) .300 – requiring all audits be done under a uniform program unless documented and was effective July 1, 2004.*

A410.400 *IFTA Ballot 9-2002 amended the IFTA Audit Manual Section A410.400 to require that the audit file contain documentation that adjustments were discussed with licensees and to delete A410.500 and was effective July 1, 2004.*

A500 GENERAL GUIDELINES

A510 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.

***A520 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.

Commentary to A500

A520 IFTA Ballot 11-1994 amended IFTA Audit Manual Section A520 to clarify the allocation of unreported miles/kilometers found in an audit.

A540.400 Ballot 11-92 amended IFTA Audit Manual Section A540.400 to provide for use of distance reporting software systems as audit tools effective January 1, 1993.

A540.300 IFTA Ballot 10-2002 amended IFTA Audit Manual Sections A540.300 and A540.400 to require the use of

A540.400 all records to determine an acceptable reporting system and to more clearly state that software programs are to be used as audit tools and was effective January 2004.

A540.300 IFTA Ballot 17-2004 amended the IFTA Audit Manual, Section A540.300 to make language consistent with other governing documents and was effective January 2006.

A550.100 In July 1994, the membership unanimously ratified inclusion of Consensus Board Interpretation 42-94 as narrative to IFTA Audit Manual Section A550.100.

ISSUE: If an auditor deems a carrier's records to be inadequate, but utilizing the methods allowed in Section A550.100 of the Audit Manual can document evidence supporting an MPG/KPL other than a standard 4.00/1.70 does Section A550.100 of the Audit Manual allow the auditor to use that MPG/KPL?

BOARD INTERPRETATION:

Section A550.100 of the Audit Manual allows for estimation of gallonage based on prior experience of the licensee; licensees with similar operations; industry averages; records available from fuel distributors; and other pertinent information the auditor may obtain or examine. As gallonage is one part of the equation used to determine the MPG/KPL, the auditor may use any or all of the same five (5) methods to determine the MPG/KPL to be used for the audit. The MPG/KPL for the audit may be higher than the standard 4.00/1.70, as established by Section A550.100 or less than the standard 4.00/1.70, as long as sufficient evidence and documentation is included in the working papers.

A550.100 IFTA Ballot 6-1994 amended IFTA Audit Manual Section A550.100 to clarify the use of 4 miles per gallon in the absence of adequate records to provide that 4 miles per gallon will be used unless substantial evidence to the contrary is found following the guidelines of A550.100 and was effective July 1, 1996.

A550.100 IFTA Ballot 17-2004 amended the IFTA Audit Manual, Section A550.100 to make language consistent with other governing documents and was effective January 2006.

A600 THE AUDIT PROCESS

A610 AUDIT NOTIFICATION

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**

.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**

.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**

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.

***A680 AUDIT FILE CONTENTS**

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

.100 Schedules

- .005 Summary 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.

- .010 Supplementary schedules

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.

.200 Support Documentation

- .005 Detail Information

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.

.010 Listing of Records Maintained

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

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

***A690 COMMUNICATION OF AUDIT FINDINGS**

.100 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:

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

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 Option1. 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.

Commentary to A600

- A620** IFTA Ballot 12-2002 amended the IFTA Audit Manual Section A620 to provide that information will be exchanged pursuant to a jurisdiction's disclosure policy and was effective January 2004.
- A630** IFTA Ballot 8-2000 amended the IFTA Audit Manual to change terminology from pre-audit to opening conference, to make such conferences mandatory, to require an explanation if such conference is not held and was effective July 1, 2002.
- A640.100** IFTA Ballot 3-2000 amended the IFTA Audit Manual Section A640.100 to remove the requirement that an auditor must identify a licensee's accounting codes as part of the evaluation of internal controls during an audit and was effective October 24, 2000.
- A640.100** IFTA Ballot 17-2004 amended the IFTA Audit Manual, Section A640.100 to make language consistent with other governing documents and was effective January 2006.
- A650** IFTA Ballot 8-2000 amended the IFTA Audit Manual to change terminology from close-out to closing conference, to make such conferences mandatory, to require an explanation if such conference is not held and was effective July 1, 2002
- A660.100** In January 1994, concerns were expressed concerning the diversity of content of IFTA audit reports exchanged among jurisdictions. IFTA Ballot 13-1995 amended IFTA Audit Manual Section A660 to provide for an interjurisdictional audit report and was effective July 1, 1997.
- A660.100** In July 2004, the membership ratified inclusion of Consensus Board Interpretation, Issue 60-03, as narrative to the IFTA Audit Manual, Section A660.100.

ISSUE: In a recent Compliance review of the Jurisdiction of Idaho, the issue of the requirements of A660.100 subparts .030 and .035 was a point of contention. The compliance review team found that because there was no column detailing the net between reported jurisdiction miles and audited jurisdiction miles and no column detailing the net between audited jurisdiction gallons and reported tax-paid gallons, that the report did not comply. The team noted that while a column, per se, is not required, there was no statement anywhere in the licensee audit report that included the requirements of the two subparts.

Idaho argues that the terms are not valid terms in their present form; that neither term is defined and that they lack specific references which would tell the auditor or licensee if the term meant a total or fleet adjustment or an adjustment that was jurisdiction specific.

IFTA, Inc. and Idaho requested this Board interpretation to resolve the differences in their interpretation of A660.100 and to ensure consistency and uniformity in the review process.

BOART INTERPRETATION:

To meet the requirements of A660.100.030 and A660.100.035, a jurisdiction must include in its Licensee Audit Report the net distance adjustment and the net tax paid fuel purchases adjustment by showing the actual difference between the reported and audited figures regardless of the format or location in the Report. This may be shown as the net difference for all jurisdictions or by individual jurisdiction. Anything less would not constitute a "complete report documenting the audit" as required by A660.100.

- A660.200** See Commentary at IFTA Audit Manual Section A660.100 regarding Interjurisdictional Audit Reports.
- A660.200.015** Correction page issued in July 2000 to correct typographical error by changing the word “of” to “or”.
- A670** Ballot 3-1998 amended IFTA Audit Manual Section A670 to clarify the content of audit documentation and was effective July 1, 2000.
- A680.100** Ballot 3-1998 amended IFTA Audit Manual Section A680.100 to add a description of summary and supplementary schedules and was effective July 1, 2000.
- A680.200** Ballot 3-1998 amended IFTA Audit Manual Section A680.200 to add a description of support documentation and exhibits and was effective July 1, 2000.
- A680.200** Ballot 4-2000 amended IFTA Audit Manual Section A680.200 to remove the requirement to record the time in opening and closing conference audit notes and was effective October 24, 2000.
- A680.200** Ballot 6-2000 amended IFTA Audit Manual Section A680.200 to removed Subsection A680.200.020 which required an audit file to contain supporting exhibits and was effective January 1, 2002.
- A690** Prior to July 2000, IFTA Audit Manual A690 was Section S680. (Corrected to change letter reference from “R” to “A”.)
- A690.100** Ballot 6-1997 amended IFTA Audit Manual Section A690.100 to specify that the base jurisdiction will send a licensee audit report and assessment to the audited licensee following the close-out conference and any necessary review period and was effective July 1, 1999.
- A690.100** See commentary at IFTA Audit Manual A660.100 regarding required licensee audit report content.
- A690.200** Ballot 6-1997 amended IFTA Audit Manual Section A690.200 (formerly A690.300) to change the notification period from 30 days to 45 days and adding an additional 45 days to notify affected jurisdictions if the licensee had requested an appeal hearing and was effective July 1, 1999.
- A690.200** Ballots 5-2001 and 9-2001 amended IFTA Audit Manual Section A690.200 to remove conflicting provisions concerning the 45-day review period and to add language concerning when a Licensee Audit Report is finalized and was effective January 1, 2003.
- A690.300** Ballot 2-1999 amended IFTA Audit Manual Section A690.300 (formerly A690.200) to move the definition of “affected jurisdiction” from A690.500 and adding another provision regarding notification to member jurisdictions pending appeal and was effective July 1, 2001.
- A690.300** In July 1993, the membership unanimously ratified inclusion of Consensus Board Interpretation, Issue 36, as narrative to IFTA Audit Manual Section A690.300.

ISSUE: Jurisdictions' exchange of audit information on no-change audits and audits with a change in tax liability (debit or credit).

BOARD INTERPRETATION:

A no-change audit is defined as an audit for a particular jurisdiction that resulted in no change (debit or credit) to that jurisdiction's tax revenue.

It is not necessary to send the final summary and audit report to a jurisdiction for an audit completed that resulted in no change (debit or credit) for that jurisdiction. These audits completed resulting in no change for a jurisdiction can be listed on the monthly transmittals showing all audits for the month which resulted in no change for that jurisdiction.

[EDITOR'S NOTE: In light of the passage of Ballot 13-1995, effective July 1, 1997, Commentary resulting from the ratification of Issue 36 regarding an "affected jurisdiction" is no longer valid as of that date because said Commentary is in direct conflict to the language of Ballot 13-1995. The Commentary regarding "affected jurisdiction" is for historical reference only. The definition of "affected jurisdiction" is found at A690.300.]

An affected jurisdiction is a jurisdiction that has tax revenue (either by an assessment or credit) affected by another jurisdiction's audit. Audit information must be sent to all affected jurisdictions. If another jurisdiction wants a copy of the audit, they may request it.

A690.300 *IFTA Ballot 2-2009 amended the IFTA Procedures Manual to change the IFTA program compliance review cycle from four (4) to five (5) years. A690.300 language refers to P910 for audit retention information effective January 1, 2011.*

A690.400 *In July 1992, the membership unanimously ratified inclusion of Consensus Board Interpretation, Issue 33-92, as narrative to IFTA Audit Manual Section A680.400.*

ISSUE: At the 1992 IFTA Audit Workshop, there was discussion regarding a minimum amount that jurisdictions should bill a carrier for an audit assessment. IFTA jurisdictions could not come to an agreement as to an acceptable minimum amount to be used by all jurisdictions.

The Audit Committee recommended the Board of Trustees state it is acceptable for a jurisdiction to set a minimum amount for an audit assessment that they will not bill a carrier for, but that jurisdictions must still transmit the audit fees to other affected jurisdictions.

BOARD INTERPRETATION:

The Board unanimously concurred with the recommendation of the Audit Committee.

A690.400 *IFTA Ballot 6-1997 amended IFTA Audit Manual Section A690.400 to provide that audit findings will be included on monthly transmittals and that jurisdictions may choose between two options for remitting tax to member jurisdictions and was effective July 1, 1999.*

A690.400 *IFTA Ballot 9-2001 amended IFTA Audit Manual Section A690.400 to remove reference to the IFTA Procedures Manual for transmittal options for audit results and was effective January 1, 2003.*

A690.500 *IFTA Ballot 13-1995 added IFTA Audit Manual Section A680.500 to provide a definition of "affected jurisdiction" for purposes of distribution of audit findings to the member jurisdictions and was effective July 1, 1997.*

A690.500 *IFTA Ballot 2-1999 amended IFTA Audit Manual Section A690.500 to: 1) require jurisdictions, if full audit payment is received, to remit the full payment to the affected*

jurisdictions by the last day of the month following receipt of the full payment; and 2) require that a jurisdiction billed for audit payment, must remit payment to the base jurisdiction by the last day of the month following receipt of the billing transmittal and was effective July 1, 2001.

A690.500 *IFTA Ballot 11-2006 amended IFTA Audit Manual Section A680.500 to provide greater clarity and make the language more consistent with all of the IFTA Governing Documents and was effective November 21, 2006.*

A690.600 *IFTA Ballot 2-1999 Amended IFTA Audit Manual Section A690.600 to allow jurisdictions to transmit partial audit payments by selecting one of two options and was effective July 1, 2001.*

A690.600 *IFTA Ballot 2-1999 amended IFTA Audit Manual Section A690.600 to allow jurisdictions to transmit partial audit payments by selecting one of two options and was effective July 1, 2001*

.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.

IFTA AUDIT MANUAL

APPENDIX EXAMPLES A-B

EXAMPLE A

**Name of Base Jurisdiction (in bold or large font)
International Fuel Tax Agreement (IFTA)
Audit Report**

Carrier Name: XYZ Trucking
Address: 123 N. Oakhill Avenue
Huntington, NY 11743

Audit Date: 7/13/1994

Carrier Rep.: Mr. XYZ

Account Number: BJ-391312909
(BJ = Base Jurisdiction abbreviation)

Telephone: (516) 555-1234

Audit Period: 1/1/90 to 12/31/93

Audit Findings

Approximately one paragraph in narrative form briefly stating methodology used, and what was found during the course of the audit.

MPG Examination: A description of the change, if any, in the licensee's miles per gallon (MPG) and why.

Summary: Approximately one paragraph stating the adjustments made, results and any pertinent information the auditor feels is needed to relay to the other jurisdictions

Auditor/Supervisor Signature and Date

EXAMPLE B**Interstate Fuel Tax Agreement (IFTA) Audit Billing**

Carrier Name: XYZ Trucking
 120 N. Oakhill Avenue
 Huntington, NY 11746

BILL DATE: 01/19/95

Audit Date: 07/13/94

Carrier Rep. Mr. XYZ

PAYMENT DUE DATE: 02/19/95

Telephone: (516) 555-1234

Fuel Account Number: BJ-391312909

AUDIT PERIOD: 1st QTR 1990 through 4th QTR 1993

Jurisdiction	Tax Reported	Tax Audited	Difference	Penalty	Interest	Total
WI	\$2,225.05	\$3,456.12	\$1,231.07	\$500.00	\$19.69	\$1,750.76
AB	\$1,202.75	\$1,312.75	\$110.00	\$ 0.00	\$8.91	\$118.91
AR	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
AZ	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
AZ SURCH	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
CA	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
CO	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
FL	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
IA	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
ID	\$102.95	\$345.19	\$242.24	\$0.00	\$0.69	\$242.93
IL	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
IN	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
IN SURCH	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
KS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
LA	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
MN	\$712.12	\$1,134.75	\$422.60	\$0.00	\$4.88	\$427.48
MO	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
MS	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
MT	\$1,818.18	\$2121.21	\$303.03	\$0.00	\$12.12	\$315.15
NC	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
ND	\$1,111.77	\$1,222.88	\$111.11	\$0.00	\$8.50	\$119.61
NE	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
NM	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
NV	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
OH	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
OK	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
OR	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
SD	\$1,666.66	\$1,765.44	\$98.78	\$0.00	\$11.69	\$110.47
SK	\$841.21	\$941.35	\$100.14	\$0.00	\$5.99	\$106.13
TN	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
UT	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
WA	\$505.69	\$696.96	\$191.27	\$0.00	\$3.25	\$194.52
WY	\$1,950.00	\$1,955.04	\$5.04	\$0.00	\$14.92	\$19.96
TOTALS	\$12,136.38	\$14,951.66	\$2,815.28	\$500.00	\$90.64	\$3,405.92

GRAND TOTAL \$3,405.92