

FOR VOTE BY MARCH 29, 2022



**IFTA FULL TRACK FINAL BALLOT PROPOSAL
#02-2021**

Sponsor

Jurisdictions of North Dakota and South Dakota

Date Submitted

April 9, 2021

Proposed Effective Date

Upon Passage

Manual Sections to be Amended

IFTA Articles of Agreement:
IFTA Audit Manual Audit Program Standards
Procedures Manual

Article II, Section R200 Definitions
A250 Selection of Audits
P1100 Base Jurisdiction Reporting

Subject

This ballot proposal would provide jurisdictions a means of implementing a Licensee education program that would both enhance Licensee compliance and recognize the jurisdictions efforts and dedication to educating Licensees on compliance issues.

History/Digest

The IFTA program requires annual audits of 3% of a jurisdiction's IFTA Licensees. The audit function has been the driving force in determining and ensuring compliance with the IFTA program. The IFTA community continues to discuss ways of meeting audit requirements due to limited or constrained resources. Past attempts at allowing IFTA record reviews to count toward audit credits have failed to pass, however; jurisdictions continue to look for efficiencies to meet audit requirements set forth by the IFTA program.

Intent

This ballot is being submitted in consideration for changes to the IFTA Manual, to allow jurisdictions to receive an audit credit or partial audit credit for conducting an IFTA records review. The record review program would provide jurisdictions with an optional opportunity to obtain audit credits for being proactive in educating Licensees regarding program compliance. Record Reviews would allow jurisdictions to provide Licensees with the opportunity to adjust their reporting and recording systems to ensure compliance with the IFTA program agreement. In the long term, jurisdictions that choose to implement a record review program could also see a reduction in audit hours due to Licensees having records that are now in compliance with IFTA plan requirements. The record review program would provide benefit to the Licensee, Jurisdictions, and IFTA by achieving the goal of educating carriers to enhance and encourage

compliance by reaching more carriers than by only conducting audits. The ballot proposal would allow Records Reviews conducted during the jurisdictions current review period to be counted and included in the audit count requirement.

Interlining Indicates Deletion; Underlining Indicates Addition

1 **IFTA Articles of Agreement:**
2 **Article II, Section R200 Definitions**

3
4 **R248 ~~RECORDS REVIEW~~Records Review** means an evaluation of a Licensee's distance and fuel
5 accounting system and internal controls to assess the Licensee's compliance with the requirements of the
6 Agreement. ~~Unlike an Audit, a Records Review focuses only on an evaluation of internal controls and the~~
7 ~~record-keeping system; it may be limited in scope to less than a full license year; it may be conducted~~
8 ~~before the Licensee's first full license renewal; it focuses on educating the Licensee of IFTA requirements;~~
9 ~~it does not compare records to a quarterly tax return to determine adjustments; and it does not result in~~
10 ~~any tax assessments. A Records Review:~~

- 11 1. ~~will be limited in scope and will be less than a full year.~~
- 12 2. ~~may be conducted before the licensee's first full license renewal.~~
- 13 3. ~~will not compare records to a quarterly return.~~
- 14 4. ~~will not result in an assessment.~~
- 15 4.5. ~~will result in a written report educating the taxpayer on compliance with the record keeping,~~
16 ~~internal controls and reporting requirements of the agreement.~~

17
18 **R248 ~~R249~~ Recreational Vehicle** means vehicles such as motor homes, pickup trucks with attached
19 campers, and buses when used exclusively for personal pleasure by an individual. In order to qualify as a
20 recreational vehicle, the vehicle shall not be used in connection with any business endeavor.

21
22 **IFTA Audit Manual Audit Program Standards**
23 **A250 Selection of Audits**

24
25 ***A250 NUMBER OF AUDITS**

26 Base jurisdictions will be held accountable for audits and will be required to complete audits of an
27 average of 3 percent per year of the number of IFTA accounts required to be reported by that jurisdiction
28 on the annual reports filed pursuant to the IFTA Procedures Manual, Section P1110.300.005 excluding
29 new Licensees, for each year of the program compliance review period, other than the jurisdiction's IFTA
30 implementation year. Such audits shall cover all of the returns that were filed or required to be filed during
31 a license year or shall cover at least four (4) consecutive quarters. This does not preclude audits of
32 individual Licensees several times during the program compliance review period. However, audits of a
33 single Licensee that cover multiple license years, fuel types, or both shall be counted as one audit for
34 program compliance review purposes.

35
36 ~~For purposes of this requirement, a Member Jurisdiction may substitute three Records Reviews for one~~
37 ~~Audit; provided, that no Member Jurisdiction may substitute Records Reviews for more than twenty-five~~
38 ~~percent of the total of the Audits required under this section. In order to use Records Reviews as a~~
39 ~~substitute for Audits, a Member Jurisdiction must adopt formal procedures that comply with the guidelines~~
40 ~~for Records Reviews set out in the Audit Manual. All accounts ~~will~~may be subject to a ~~R~~Records Rreview.~~
41 ~~Records Reviews ~~will~~cannot count toward the high or low distance audit requirement established in~~
42 ~~Section A260 Selection of Audits of the IFTA audit manual. All ~~R~~records ~~R~~Reviews will count towards the~~
43 ~~unspecified distance account audit requirements.~~

44
45 **A500 RECORDS REVIEW**

46
47 A Base Jurisdiction may perform a Records Review of any Licensee's distance and fuel reporting system
48 to ensure compliance with the Agreement. A Records Review is a thorough evaluation of the Licensee's
49 internal controls and record-keeping system to ensure compliance with the Agreement. The purpose of
50 performing a Records Review is to mitigate potential record keeping compliance issues.

- 52 .100 The primary differences between an Audit and a Records Review are that a Records
 53 Review:
 54
 55 .005 focuses only on an evaluation of internal controls and compliance of the distance
 56 and fuel reporting system ~~with IFTA requirements~~ using requirements found in
 57 A320, except A320.500 and A320.600 of the Audit Manual;
 58
 59 .010 ~~may~~ will be limited in scope to less than a full Reporting Period;
 60
 61 .015 may be conducted before the first renewal;
 62
 63 .020 ~~focuses~~ will be part of an overall education plan on educating the Licensee of
 64 IFTA record-keeping requirements as set forth in the base jurisdictions
 65 procedures;
 66
 67 .025 ~~does not~~ cannot compare records to a quarterly tax return to determine
 68 adjustments; and
 69
 70 .030 ~~does not~~ cannot result in any tax assessments.
 71

72 **A510 Records Review Implementation**

- 73
 74 .100 A Member Jurisdiction electing to institute a Records Review program that qualifies
 75 towards the annual Audit requirement must establish procedures and guidelines similar to
 76 those for Audits. The Records Review procedures must:
 77
 78 .005 comply with requirements in A240.100 to A240.400-Auditor Qualifications and
 79 Responsibilities;
 80
 81 .010 document the distance and fuel reporting system used by the Licensee, the items
 82 included in the source documents, and the sources used by the Licensee to
 83 determine distances and fuel reporting;
 84
 85 .015 assess and document internal controls;
 86
 87 .020 evaluate the compliance of the records with IFTA requirements and identify
 88 specific deficiencies;
 89
 90 .025 ~~result in a written report to the Licensee citing any specific deficiencies in the~~
 91 ~~record keeping system~~ furnish a written report in compliance with section
 92 A460.100 (except A460.100.50), A460.200, and A460.500.005 to A460.500.015,
 93 of the Audit Manual;
 94
 95 .030 record all contacts with the Licensee; and,
 96
 97 .035 retain the completed Records Reviews according to the prevailing IFTA Peer
 98 Compliance Review Audit records retention requirements.
 99
 100 .200 It is strongly recommended that the base jurisdiction conduct a follow up contact with the
 101 Licensee if non-compliance issues are noted.
 102
 103 .300 Notwithstanding Section A240, Records Reviews may be conducted by personnel
 104 processing Licensee applications if they meet all other provisions of the Manual.
 105

106 .400 Completing a Records Review on a specified period does not preclude that period from
107 an audit precludes that Licensee from an audit for 180 days after the completion of the
108 review to allow the Licensee to correct deficiencies found in the review.

109
110 The intent of the Records Review program is to educate Licensees regarding IFTA requirements while
111 providing credit to the jurisdiction for the education efforts. A Records Review should not be used to find
112 noncompliant Licensees for audit. If non-compliant records are found the jurisdiction should educate that
113 carrier on record keeping and reporting methods and instruct that carrier to file amended returns for
114 previously filed returns. It is not intended to find noncompliant Licensees for audit. A Records Review
115 should cannot be converted to an audit simply due to poor records.

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117 **IFTA Procedures Manual:**
118 **P1100 Base Jurisdiction Reporting**

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120 **P1110 Annual Reporting**

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122 **.400 Audit Information**
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124 .005 Number of accounts audited;
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126 .010 Number of accounts audited resulting in financial changes to one or more
127 jurisdictions;
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129 .015 A jurisdiction that has a Records Review program established conforming to
130 section A510 shall report the total number of record reviews on the annual report.
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NO REVISIONS FOLLOWING THE SECOND COMMENT PERIOD: