

**FOR DISCUSSION AT THE ANNUAL IFTA BUSINESS MEETING  
AUGUST 24-26, 2021**



**IFTA FULL TRACK PRELIMINARY 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

Article II, Section R200 Definitions  
A250 Selection of Audits

**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**

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

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

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15 **IFTA Audit Manual Audit Program Standards**  
16 **A250 Selection of Audits**

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18 **\*A250 NUMBER OF AUDITS**

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

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29 For purposes of this requirement, a Member Jurisdiction may substitute three Records Reviews for one  
30 Audit; provided, that no Member Jurisdiction may substitute Records Reviews for more than twenty-five  
31 percent of the total of the Audits required under this section. In order to use Records Reviews as a substitute  
32 for Audits, a Member Jurisdiction must adopt formal procedures that comply with the guidelines for Records  
33 Reviews set out in the Audit Manual. All accounts will be subject to a records review. Record Reviews will  
34 not count toward the high or low distance audit requirement established in Section A260 Selection of Audits  
35 of the IFTA audit manual. All record reviews will count towards the unspecified distance account audit  
36 requirements.

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38 **A500 RECORDS REVIEW**

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

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45 .100 The primary differences between an Audit and a Records Review are that a Records  
46 Review:

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48 .005 focuses only on an evaluation of internal controls and compliance of the distance  
49 and fuel reporting system with IFTA requirements;

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51 .010 may be limited in scope to less than a full Reporting Period;  
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- 53 .015 may be conducted before the first renewal;  
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55 .020 focuses on educating the Licensee of IFTA record-keeping requirements;  
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57 .025 it does not compare records to a quarterly tax return to determine adjustments; and  
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59 .030 does not result in any tax assessments.  
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### **A510 Records Review Implementation**

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63 .100 A Member Jurisdiction electing to institute a Records Review program that qualifies towards  
64 the annual Audit requirement must establish procedures and guidelines similar to those for  
65 Audits. The Records Review procedures must:  
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67 .005 comply with requirements in A240 Auditor Qualifications and Responsibilities;  
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69 .010 document the distance and fuel reporting system used by the Licensee, the items  
70 included in the source documents, and the sources used by the Licensee to  
71 determine distances and fuel reporting;  
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73 .015 assess and document internal controls;  
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75 .020 evaluate the compliance of the records with IFTA requirements and identify specific  
76 deficiencies;  
77  
78 .025 result in a written report to the Licensee citing any specific deficiencies in the record  
79 keeping system;  
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81 .030 record all contacts with the Licensee; and,  
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83 .035 retain the completed Records Reviews according to the prevailing IFTA Peer  
84 Review Audit records retention requirements.  
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86 .200 It is strongly recommended that the base jurisdiction conduct a follow up contact with the  
87 Licensee if non-compliance issues are noted.  
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89 .300 Notwithstanding Section A240, Records Reviews may be conducted by personnel  
90 processing Licensee applications if they meet all other provisions of the Manual.  
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92 .400 Completing a Records Review on a specified period does not preclude that period from an  
93 audit.  
94

95 The intent of the Records Review program is to educate Licensees regarding IFTA requirements while  
96 providing credit to the jurisdiction for the education efforts. It is not intended to find noncompliant Licensees  
97 for audit. A Records Review should not be converted to an audit simply due to poor records.

#### REVISIONS FOLLOWING THE FIRST COMMENT PERIOD

- Effective Date changes to “upon passage”
- Line 33 change to “Reviews set out in the Audit Manual. All accounts may be subject to a records review. Record Reviews will”
- Line 67 change to
- “.005 comply with requirements in A240.100 to A240.400 Auditor Qualifications and Responsibilities.”
- Line 83 change to
- “.035 retain the completed Records Reviews according to the prevailing IFTA Peer Compliance Review Audit records retention requirements.”
- Line 92 change to
- “.400 Completing a Records Review on a specified period does not preclude that period from a future audit.”
- Lines 96-97 change to
- “providing credit to the jurisdiction for the education efforts. A Records Review should not be used to find noncompliant Licensees for audit. If non-compliant records are found the jurisdiction should educate that carrier on record keeping and reporting methods and instruct that carrier to file amended returns for previously filed returns.”
- Add Section “P110.400.015 A jurisdiction that has a Records Review program established conforming to section A510 shall report the total number of record reviews on the annual report.”