

FOR COMMENT PERIOD ENDING JUNE 24, 2022



**IFTA BALLOT PROPOSAL
7-2022**

Sponsor

Jurisdictions of AZ, CA, ND, NH, and SD

Date Submitted

May 10, 2022

Proposed Effective Date

January 1, 2023

Manual Sections to be Amended (January 1996 Version, Effective July 1, 1998, as revised)

IFTA Articles of Agreement	Section R200 Definitions
IFTA Audit Manual	Section A250 Selection of Audits
Procedures Manual	Section 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 jurisdiction's 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. The records review would allow jurisdictions to review licensees' information to help verify record keeping and internal controls that follow the agreement. This would translate into the carrier reporting the correct amount of tax at the correct time in benefit to all jurisdictions.

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.

1 **Interlining Indicates Deletion; Underlining Indicates Addition**

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3 **IFTA Articles of Agreement:**

4 **Article II, Section R200 Definitions**

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6 **R248 Records Review** means an evaluation of a Licensee's distance and fuel accounting system and
7 internal controls to assess the Licensee's compliance with the requirements of the Agreement. A
8 Records Review:

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

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

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20 **IFTA Audit Manual Audit Program Standards**

21 **A250 Selection of Audits**

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23 ***A250 NUMBER OF AUDITS**

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

33
34 For purposes of this requirement, a Member Jurisdiction may substitute three Records Reviews for one
35 Audit; provided, that no Member Jurisdiction may substitute Records Reviews for more than twenty-five
36 percent of the total of the Audits required under this section. To use Records Reviews as a substitute for
37 Audits, a Member Jurisdiction must adopt formal procedures that comply with the guidelines for Records
38 Reviews set out in the Audit Manual. All accounts may be subject to a Records Review. Records
39 Reviews cannot count toward the high or low distance audit requirement established in Section A260
40 Selection of Audits of the IFTA audit manual. All Records Reviews will count towards the unspecified
41 distance account audit requirements. Any follow up or secondary Records Review on compliance issues
42 will not count as another Records Review.

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44 **A500 RECORDS REVIEW**

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46 A Base Jurisdiction may perform a Records Review of any Licensee's distance and fuel reporting system
47 to ensure compliance with the Agreement. A Records Review is a thorough evaluation of the Licensee's

48 internal controls and record-keeping system to ensure compliance with the Agreement. The purpose of
49 performing a Records Review is to mitigate potential record keeping compliance issues.

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51 .100 The primary differences between an Audit and a Records Review are that a Records Review:

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53 .005 focuses only on an evaluation of internal controls and compliance of the distance and fuel
54 reporting system using requirements found in A320, except A320.500 and A320.600 of the Audit
55 Manual;

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57 .010 may be limited in scope to less than a full Reporting Period;

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59 .015 may be conducted before the first renewal;

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61 .020 will be part of an overall education plan on educating the Licensee of IFTA record-keeping
62 requirements as set forth in the base jurisdictions procedures;

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64 .025 is not required to compare records to a quarterly tax return to determine adjustments; and

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66 .030 cannot result in a tax assessment.

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68 **A510 Records Review Implementation**

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70 .100 A Member Jurisdiction electing to institute a Records Review program that qualifies towards the
71 annual Audit requirement must establish procedures and guidelines similar to those for Audits.
72 The Records Review procedures must:

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74 .005 comply with requirements in A240.100 to A240.400 Auditor Qualifications and Responsibilities;

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76 .010 document the distance and fuel reporting system used by the Licensee, the items included in the
77 source documents, and the sources used by the Licensee to determine distances and fuel
78 reporting;

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80 .015 assess and document internal controls;

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82 .020 evaluate the compliance of the records with IFTA requirements and identify specific deficiencies;

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84 .025 furnish a written report in compliance with section A460.100 (except A460.100.50), A460.200,
85 and A460.500.005 to A460.500.015, of the Audit Manual;

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87 .030 record all contacts with the Licensee; and,

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89 .035 retain the completed Records Reviews according to the prevailing IFTA Peer Compliance Review
90 Audit records retention requirements.

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92 .200 It is strongly recommended that the base jurisdiction conduct a follow up contact with the
93 Licensee if non-compliance issues are noted.

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95 .300 Notwithstanding Section A240, Records Reviews may be conducted by personnel
96 processing Licensee applications if they meet all other provisions of the Manual.
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98 .400 Completing a Records Review precludes that Licensee from an audit for 180 days after the
99 completion of the review to allow the Licensee to correct deficiencies found in the review.
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101 The intent of the Records Review program is to educate Licensees regarding IFTA requirements while
102 providing credit to the jurisdiction for the education efforts. A Records Review should not be used to find
103 noncompliant Licensees for audit. If non-compliant records are found the jurisdiction should educate that
104 carrier on record keeping and reporting methods and instruct that carrier to file amended returns for
105 previously filed returns.
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107 **IFTA Procedures Manual:**
108 **P1100 Base Jurisdiction Reporting**

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110 **P1110 Annual Reporting**

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112 **.400 Audit Information**

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114 .005 Number of accounts audited;

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116 .010 Number of accounts audited resulting in financial changes to one or more jurisdictions;
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118 .015 A jurisdiction that has a Records Review program established conforming to section A510 shall
119 report the total number of record reviews completed for the year on the annual report.
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