

IFTA / IRP Audit Process

Mileage Audit

Topics of Discussion

- **What is an IFTA / IRP audit?**
- **Who may be subject to an IFTA / IRP audit?**
- **Record keeping requirements of IFTA/IRP**
- **What type of mileage records are acceptable (examples)?**
- **Assessments, penalties and refunds**
- **Review of the audit process**

What Is an IFTA / IRP Audit?

- **IFTA:** An IFTA audit is the evaluation and verification of mileage and fuel figures reported on the IFTA quarterly tax return.
- **IRP:** An IRP audit is the evaluation and verification of the miles reported for each apportioned jurisdiction on an annual application.

Who May Be Subject to an IFTA / IRP Audit and Why?

- Any registrant licensing or registering qualified motor vehicles, or that is required to license or register qualified motor vehicles, is subject to an audit with IFTA / IRP
- For the purpose of determining whether such registrant is maintaining acceptable records, filing correct applications, and paying correct registration fees or taxes as required

AUDIT SELECTION IFTA / IRP

Criteria for Selection:

- **Raleigh Office Request**
 - **Estimated MPG's**
 - **Estimated Miles & Fuel**
- **Has taxpayer / registrant ever been audited**
- **Date of taxpayer / registrant's last audit**
- **Outcome of last audit**
- **Reporting false information on license application**
- **Random Selection**

AUDIT PROCESS IFTA / IRP

Taxpayer/Registrant may be contacted by:

- **Phone**
- **Audit Contact Letter mailed with auditor's name and phone number including year(s) to be audited**

AUDIT PROCESS

IFTA / IRP

“Auditor Arrives on Location”

Opening Audit Conference

- **Confirm general data filed on application / return**
- **Internal control evaluation**
- **Nature of operations**

Request Records Agreed Upon Previously

- **Mileage records**
- **Fuel records**
- **Any other requested data related to your IFTA / IRP operations**

AUDIT PROCESS

IFTA / IRP

IFTA

- Examine individual trip records in detail (sample period)
- Calculate trip mileage based on routes of travel using map miles / mileage software
- Examine the continuity of odometer or hub meter readings to determine total elapsed miles
- Reconciliation of Mileage Source Documents and Summaries to IFTA quarterly tax returns

AUDIT PROCESS

IFTA / IRP

IRP

- **Vehicle charting of Apportioned Fleet**
- **Verify all vehicles registered to fleet (addition / deletion dates)**
- **Account for all activity or inactivity of vehicle operations**
- **Account for actual use or intended use of vehicles in two or more member jurisdictions**

AUDIT PROCESS

IFTA / IRP

IRP

- Reconciliation of Fleet Mileage
- Fleet mileage summary compared to reported application mileage
- Individual unit summaries compared to fleet summary
- Individual trip mileage compared to individual unit summaries

AUDIT PROCESS

IFTA / IRP

IRP

- **Examine individual trip records in detail (sample period)**
- **Calculate trip mileage based on routes of travel using map miles / mileage software**
- **Examine the continuity of odometer or hub meter readings**

Mileage Reporting Requirements

- **IFTA:** Licensee is required to file a quarterly tax return based on actual miles traveled and fuel purchased.
- **IRP:** Registrant is required to file an annual application based on actual miles traveled for the period July through June preceding the year registration is sought.

Mileage Reporting

- Mileage shall include all movement (Interstate and Intrastate) including loaded, empty, deadhead and/or bobtail miles.
- This meets the qualifications for both IFTA and IRP.



Record Retention

- **IFTA: All IFTA records must be maintained for a minimum of 4 years.**
- **IRP: All IRP records must be maintained for a period of 5 years.**

Record Keeping Requirements

It is mandatory for registrants licensed under the International Registration Plan to maintain an adequate mileage accounting system. At a minimum, such a system must include:

- Mileage data for each individual vehicle
- Monthly/Quarterly mileage summaries by jurisdiction and a total for each vehicle

Record Keeping Requirements (continued)

- **Monthly/Quarterly summary of miles for the entire apportioned fleet by state and a total for the period July 1st through June 30th**
- **IFTA does not require monthly or quarterly summaries per vehicle, however; mileage data per unit per trip is required**

Acceptable Mileage Records

Mileage operated is to be recorded on a source document (Individual Vehicle Distance Record) with the following information:

1. Date of trip (Beginning and Ending)
2. Trip origin and destination
3. Routes (highway numbers) traveled
4. Odometer or Hub meter readings recorded at the beginning and ending of each trip, and when a state line is crossed

Acceptable Mileage Records (continued)

- 5. Total trip miles (total trip distance traveled)**
- 6. Mileage by jurisdiction (distance traveled by jurisdiction)**
- 7. Unit number or vehicle identification number of power unit**

Acceptable Mileage Records (continued)

8. Fleet number
9. Registrant's name
10. Trailer number
11. Driver's signature or name

Examples of Acceptable Source Documents

Individual Vehicle Distance Records (IVDR)

- Driver trip sheets or reports
- Driver's logs
- Receiving contracts
- Other records of vehicle movement from which mileage per vehicle per jurisdiction can be determined

IMPORTANT: Computer printouts are not acceptable as the only source of mileage; they must be supported by an IVDR that shows continuous movement of an apportioned vehicle.

On-board Recording Devices

- **Computer mileage software programs will be examined for acceptability on a case by case basis by both IFTA and IRP**
- **System must meet minimum device requirements**
- **Data collection by a recording device must include the required data previously outlined**

Samples of Acceptable Record Keeping Forms Available

- **IFTAIRP-25 (IVDR /Individual Vehicle Distance Record)**
- **IFTAIRP-24 (Individual unit summary of monthly odometer readings and jurisdiction mileage totals)**
- **IFTAIRP-26 (Apportioned Fleet Distance Recap)**
Total of all Individual unit summaries in the fleet

INDIVIDUAL UNIT (TRUCK) SUMMARY

UNIT 5	2008				2009											
	July	August	September	3rd Qtr	October	November	December	4th Qtr	January	February	March	1st Qtr	April	May	June	2nd Qtr
Ending Odometer Reading													126,583			
Beginning Odometer Reading													123,001			
Or																
Ending Hubodometer Reading																
Beginning Hubodometer Reading																
Total Elapsed Distance													3,582			
Estimated Distance (Meter Broke)																
Total Monthly Distance													3,582			
State Distribution																
FL													400			
GA													222			
KY													240			
MI													150			
NC													750			
OH													455			
SC													400			
TN													700			
VA													75			
WV													190			
TOTALS													3,582			

AUDIT ASSESSMENTS

IRP

Percentage Change

- Audited jurisdictional mileage percentages result in an increase in the jurisdictional percentages originally used to determine registration fees.

Audit Assessments

IRP

Individual Vehicle Assessment (NC only)

- Registrant fails to make acceptable records available for audit that can substantiate individual vehicle activity or non-activity of operations for any 45 consecutive days during the audit period
- An apportioned vehicle operates in only one jurisdiction and the intent to travel in another jurisdiction can not be proven

Audit Assessments

IRP

Full Fee Assessment

- Registrant misrepresented, falsified, or concealed his records
- Registrant failed or refused to make acceptable records available for audit as provided by law

AUDIT PROCESS IRP

Closing Audit Conference

- Reaffirm the audit process used to perform audit
- Inform registrant of any problem areas found during audit
- Explain any changes in mileage or fee percentages as a result of the audit
- Discuss audit recommendations



IFTA Audit Process

Fuel Audit

Acceptable Fuel Documentation

- Fuel reporting system statement/printout
- Credit card receipt/statement
- Cash ticket



Required Data for a Fuel Document

- Date of purchase
- Name and address of seller
- Number of gallons purchased
- Type of fuel purchased
- Price per gallon
- Unit number or license plate number of the vehicle
- Purchaser's name



Required Data for Bulk Fuel Withdrawal

- Date of withdrawal
- Number of gallons withdrawn
- Fuel type
- Unit number of the vehicle receiving fuel
- Purchase and inventory records
 - Must substantiate that tax was paid on all bulk fuel purchases

Decal Audit

- All decals must be accounted for and maintained for a period of 4 years.
- A decal inventory list should be maintained for audit.
 - Inventory list should include:
 - Vehicle number (VIN, license plate, or unit #)
 - Decal number assigned to a vehicle
 - Period (2006, etc.)
 - Any special notes (truck wrecked, painted, washed off, etc.)
 - Date decal assigned to vehicle

Decal Inventory

YEAR _____

Instructions:

1. Complete all columns with requested information for all vehicles.
2. List any special circumstances in the Notes column.
3. Retain this document for a period of 4 years for audit purposes.

	Date	Decal Number	Unit Number	Last 4 Digits of VIN	Notes*
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
13.					
14.					
15.					
16.					
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22.					
23.					
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29.					
30.					

Closing Audit Process

IFTA

Closing Audit Conference

- Discuss audit findings and adjustments
- Recommendations
- Audit resolution options
- Audit review process

Questions ?

Thank you for your time and
attention.