

Audit Selection Criteria

Practical approaches to selecting registrants for audit and making
the best use of available data and risk indicators

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Discussion Points

Current Audit Requirement

- Section 1025 and the 3% mandate

The Challenge

- Why the current approach falls short

Jefferson Wells Study

- Key Findings and recommendations from the 2008 analysis

Audit Cost Reality

- Survey data on cost and return on investment

Risk-Based Selection

- Data and indicators for smarter targeting

IRP Data Repository

- How IDR supports audit selection

Audit Pilot Program

- Testing a data-driven alternative

Next Steps & Discussion

- Participation and open Q&A

Current Audit Requirement

Section 1025 – Frequency of Audits

Each Member Jurisdiction shall conduct a number of Audits equivalent to an average of three percent per year of the number of Fleets whose registration it renews annually under the Plan.

3%

Historical Context

The previous requirement mandated base jurisdictions perform audits equivalent to at least 5%, 15%, and 25% of renewed IRP fleets over every five-year period. The current 3% mandate replaced this approach, but the number itself was established arbitrarily to ensure jurisdictions were performing an adequate number of audits, it was not based on data analysis or risk assessment.

The Challenge

Arbitrary Percentage

The 3% requirement is not based on data. Many jurisdictions struggle to meet it, leading to quota-driven rather than risk-driven selection.

Misaligned Incentives

Jurisdictions select accounts to meet quotas rather than target actual risk. The "counting completed audits" method incentivizes auditing single-vehicle fleets.

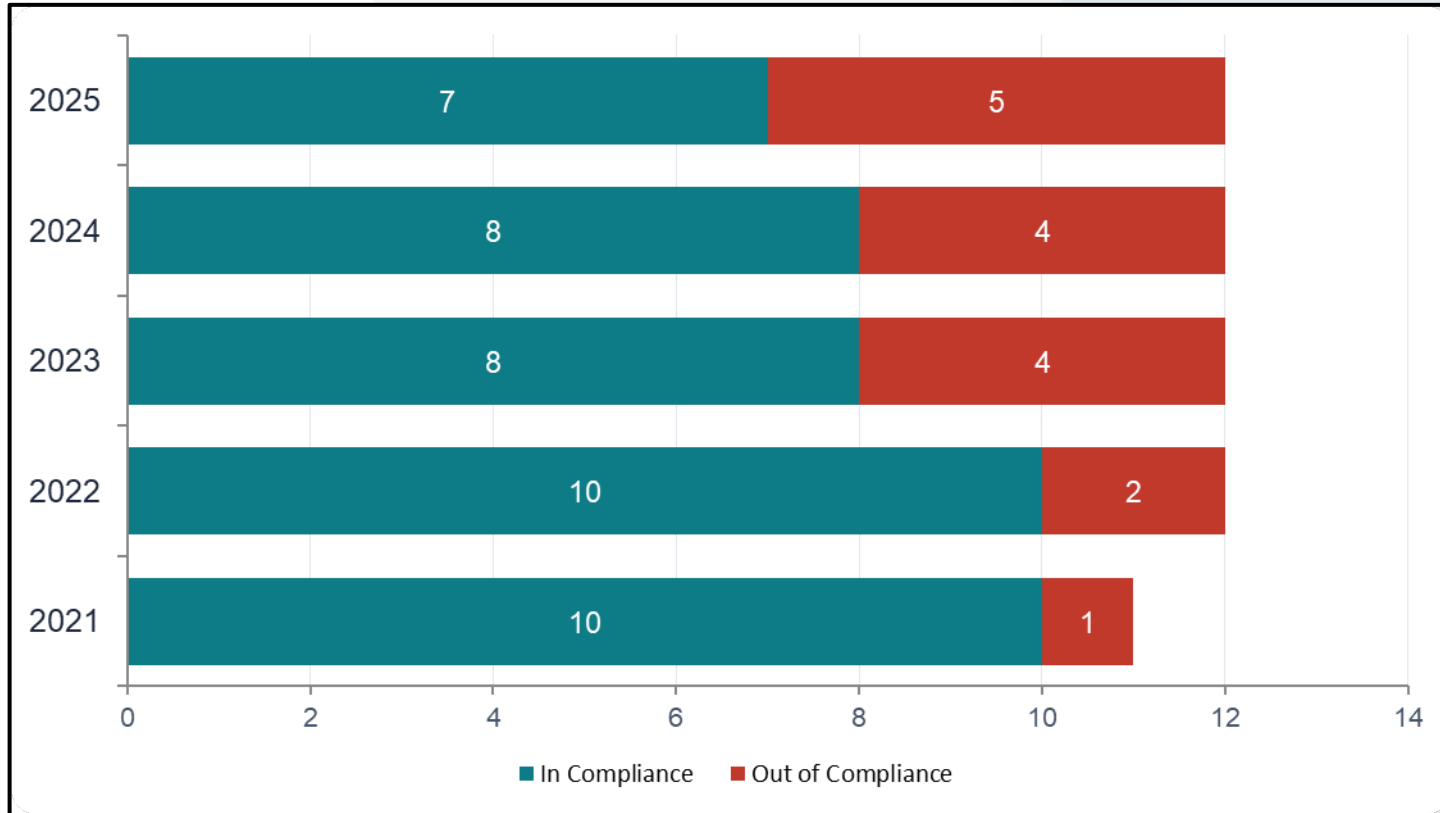
Wasted Resources

16–22% of audits result in no changes, consuming limited audit resources on low-risk accounts that don't need examination.

Ineffective Outcomes

The mandate fails to achieve the core audit objective: ensuring accurate distance reporting and proper fee payment across jurisdictions.

Peer Review: Section 1025 Compliance



5-Year Summary
2021-2025

27%

of reviewed jurisdictions out of compliance

59
Reviews
Conducted

16
Out of
compliance

Jefferson Wells Audit Process Analysis

Scope of Analysis



59

Jurisdictions
Analyzed



350K

Fleets Under the
Plan



11K

Audits Finalized
Annually



65%

Audit Expectation
Rate

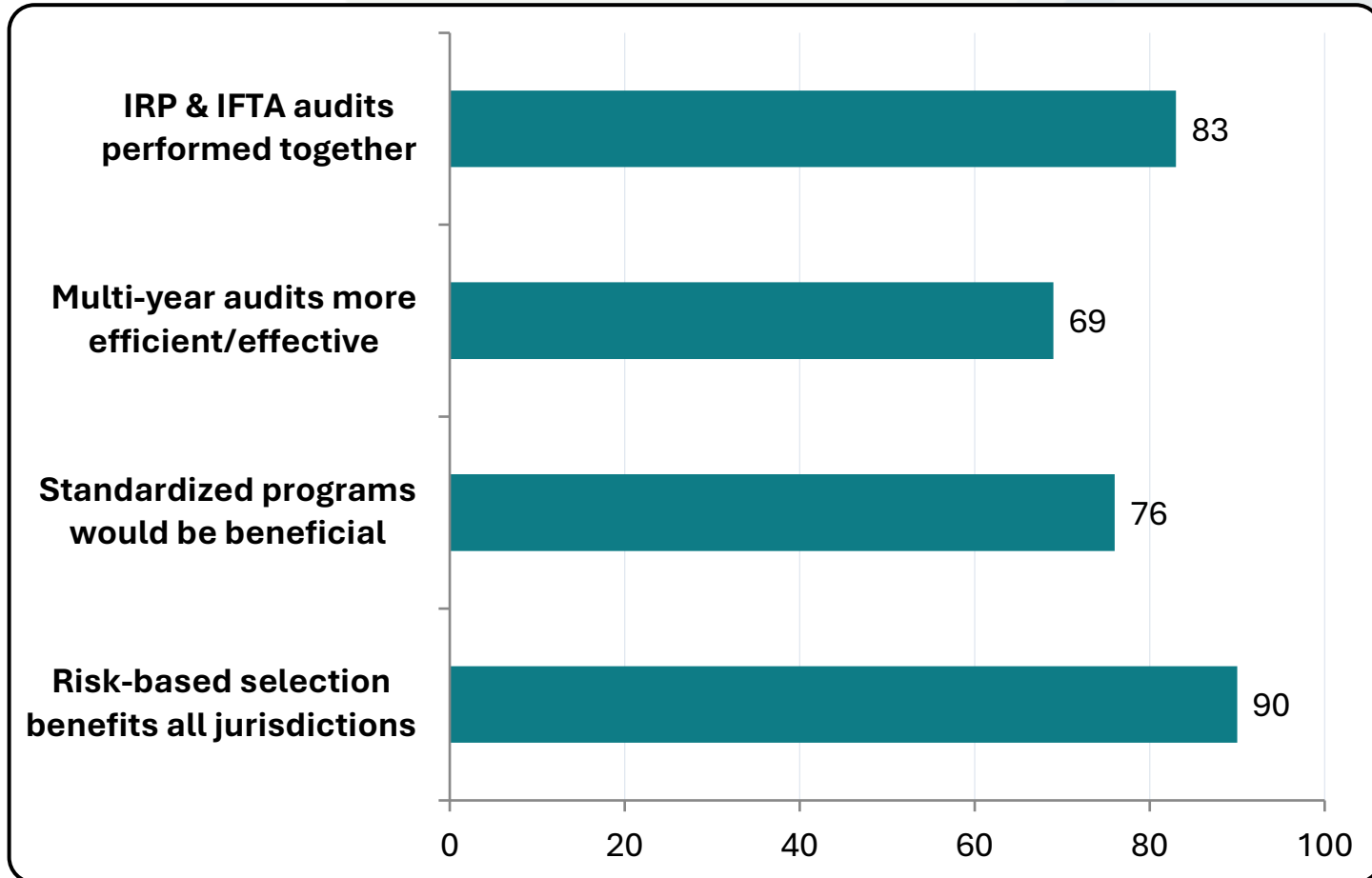


76%

Supported
Standardization

Commissioned by the IRP Board of Directors – January 2008

Jurisdiction Survey Highlights



30 hrs

Average audit hours
16% Planning & 33% Reporting

Key Takeaway

Auditor judgment ranked highest for registrant selection criteria, yet 90% felt selection should be based on risks to all jurisdictions, not just the base jurisdiction.

Jefferson Wells Recommendations

- 1 Centralized recordkeeping and analysis of audit results
- 2 Centralized selection of registrants to be audited
- 3 Expand audit scope beyond distance allocation
- 4 Develop specific standards, procedures, and templates
- 5 Sample of 500 fleets sufficient for overall compliance assessment
- 6 Restructure peer review against detail audit standards
- 7 Formal training process for new/ineffective registrants

Audit Cost Reality

\$31.8M

Total Annual Audit Cost

47 jurisdictions reporting

\$2,868

Average Cost Per Audit

11,090 audits finalized

-91.25%

Avg. Return on Investment

Cost vs. transmittal recovery

Transmittal & Assessment Data

- Collected by base jurisdiction = \$1,190,874
- Collected by foreign jurisdictions = \$1,592,213
- Total audit transmittal net amount = \$2,783,087
- Inadequate records assessments (3,472) = \$3,484,358

Audits with changes: 9,220 / Audits with no changes: 1,870 / Total Audits: 11,090

Risk-Based Selection Criteria

Currently Available Data

Fleet Size

- Number of power units in registrant's fleet

Distance Traveled

- Total and in-jurisdiction reported distance

Jurisdiction Traveled

- Spread of operations across member jurisdictions

Unrealistic Distance Patterns

- Anomalies from jurisdictional averages

Carrier Reporting Inconsistencies

- Discrepancies in registrant-reported data

Additional Risk Indicators

Date of Previous Audit/Review

- Time elapsed since last examination

External Intelligence

- Tips from enforcement, weigh stations, etc.

Service Provider History

- Prior experience with registrant's record preparer

Prior Audit Outcomes

- Results and findings from previous audits

Registration Fee Components

- Cost, weight, axles, date in service factors

IRP Data Repository (IDR)

Leveraging IDR data for smarter audit selection:

Compliance Dashboard

10 automated alerts run against monthly netting data to flag potential compliance issues.

Even Distance Report

Flag carriers reporting even-number distances. A classic indicator of estimated rather than actual distance.

Fleet Distance & Travel Reports

Query actual vs. estimated distances and vehicle travel patterns by weight and type to identify reporting anomalies.

IRP Data Repository (IDR)

Leveraging IDR data for smarter audit selection:

Compliance Review & Audit Exchange Historical Activity Report

Monitor completed audit volumes and access historical audit details across jurisdictions.

Audit Module Phase II

Transforms static audit report data into a structured, uploadable file format for the IDR, enabling dynamic reporting and analysis capabilities in place of the current static PDF-based process.

Audit Pilot Program

Purpose

To determine what the solution should be, testing whether risk-based selection is feasible, effective, and can be tailored to each jurisdiction's data and trends.



Is it Effective?

Does risk-based selection improve audit outcomes compared to arbitrary quotas?



Is it Feasible?

Can it be implemented across jurisdictions with varying data and resources?



Is it Adaptable?

Can parameters be tailored to each jurisdiction's unique data and trends?

What We'll Learn

- 1 Does risk-based selection improve audit effectiveness?
- 2 Can data analytics identify high-risk accounts better than arbitrary quotas?
- 3 What parameters work best for identifying audit targets?
- 4 How should requirements adjust to actual risk levels?
- 5 Can this approach be implemented across jurisdictions with varying data and resources?

Participation & Next Steps

Participating Jurisdictions Will:

- ✓ Test risk parameters with IRP, Inc. staff
- ✓ Review Data query results from the IDR
- ✓ Conduct audits on identified accounts
- ✓ Provide feedback on what works and what doesn't
- ✓ Help shape the solution for all jurisdictions

Get Involved

This collaborative approach ensures the final solution addresses real-world challenges faced by jurisdictions.

Contact IRP, Inc. to discuss details and timeline

Questions & Discussion



2025 IRP Annual Meeting