# IRP Audit Reference & Best Practices Guide, Including Records Reviews

**(This manual is a tool; it is not a binding document)**

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**IRP AUDIT REFERENCE & BEST PRACTICES GUIDE**

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# I. INTRODUCTION

The focus of the International Registration Plan (IRP) audit program should be to assess the accuracy of the distances reported by the registrant on applications for apportioned registration and adjust for any inaccuracies. Such audits are performed by the base jurisdiction on behalf of all member jurisdictions. An audit program is therefore an important and essential compliance measure.

Article X of the Plan provides the basic framework under which audits of registrants by their base jurisdiction are to be conducted. The maintenance of an Audit Procedures Manual (APM) serves to set standards for auditors and the membership and to provide guidance and procedures specifically for the performance of IRP audits. This document is intended to facilitate the memberships' auditors in the conduct of those audits by offering some best practices and examples, when practical. However, unlike the Plan and APM this document is not binding.

Under the IRP, a registrant operating apportionable vehicles in more than one (1) jurisdiction will register with its base jurisdiction.

The base jurisdiction will accept the registrant's registration fees on behalf of the other jurisdictions, will apportion and distribute the fees to the other jurisdictions, and will issue the registrant a single license plate and cab card that will be accepted by all the other jurisdictions.

Apportioned registration allows movement on both an interjurisdictional and intrajurisdictional basis. It is not, however, a substitute for other fees and requirements (i.e., fuel tax, weight-distance tax, etc.) of any jurisdiction and does not exempt the registrant from obtaining the proper operating authority or reporting and paying other taxes.

The following chart provides a basic example of fee calculations in accordance with Article IV of the Plan.

| Jurisdiction | Distance | Percent of Total Miles | | Full Year Fee per Jurisdiction | | Apportioned Fee |
|---|---|---|---|---|---|---|
| Jurisdiction 1 | 25,000 | (25% | X | $ 815.00) | = | $ 203.75 |
| Jurisdiction 2 | 25,000 | (25% | X | $ 725.00) | = | $ 181.25 |
| Jurisdiction 3 | 25,000 | (25% | X | $2,512.00) | = | $ 628.00 |
| Jurisdiction 4 | 25,000 | (25% | X | $1,366.00) | = | $ 341.50 |
| **Totals** | **100,000** | **100%** | | | | **$1,354.50** |

The registrant pays a portion of the full registration fees for all traveled jurisdictions based on the percentage of distance traveled. The same percentage applies to taxes, for applicable jurisdictions. While all jurisdictions are reflected on the cab card, fees are only paid to those jurisdictions traveled during the reporting period.

There are two main reasons to conduct audits.

1. Ensure Compliance - The audit function ensures that the registrant complies with the provisions of the IRP. This is done through communications with the registrant regarding their system's strengths and shortcomings.

2. Ensure Proper Revenue - The foundation of any base jurisdiction agreement is accurate reporting by the registrant. The audit function ensures that proper revenues are being collected for each jurisdiction.

The theory that an audit makes the registrant whole should be applied **when adequate documentation is provided**. An IRP auditor is not an accountant for the registrant. The registrant must have the proper documentation, as outlined in IRP 1010, ready for the auditor to review. Records containing the required elements and made available for the period under audit will be accepted by the base jurisdiction as adequate, as long as they are presented by the registrant for audit in a format accessible to the base (IRP 1005).

## IRP VEHICLE CLASSIFICATIONS

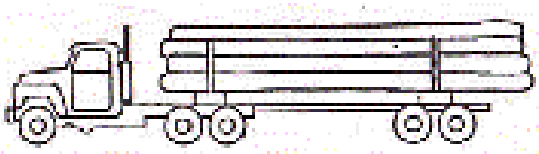
1) Bus (BS) – A vehicle designed for carrying more than 10 passengers and used for the transportation of persons.



2) Mobile Home Hauler or Road Tractor (RT) – Every motor vehicle designed and used for drawing other vehicles and not so constructed as to carry any load thereon either independently or any part of the weight of a vehicle or load so drawn.



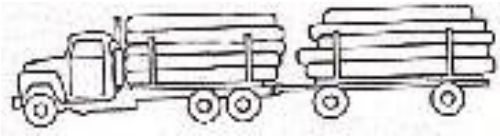
3) Tractor (TR) – A motor vehicle designed and used primarily for drawing other vehicles but not so constructed as to carry a load other than a part of the weight of the vehicles and load so drawn.



4) Truck (single) (TK) – Every motor vehicle designed, used or maintained primarily for the transportation of property. Also referred to as a straight truck.

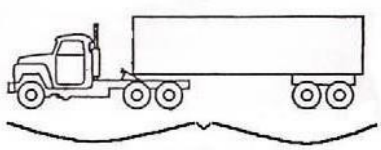


5) Truck-Tractor (TT) – A motor vehicle designed and used primarily for drawing other vehicles but so constructed to carry a load other than a part of the weight of the vehicle and load so drawn.



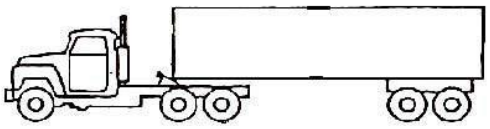
## IRP WEIGHT CLASSIFICATIONS

1) Combined Gross Weight – The weight of a tractor or truck-tractor plus the weight of any trailer or semi-trailer with maximum allowable cargo transported thereon. *

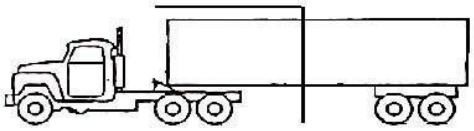


**Combined Gross Weight**

2) Gross Weight – The unladen weight (empty weight of a vehicle) plus the maximum weight of the load carried on that vehicle for which registration fees have been paid. For vehicles in combination, the gross weight of the power unit plus the loaded weight of the portion of the trailer resting on the axles of the power unit. For the trailer, gross weight is equal to empty weight plus the weight of the heaviest load to be transported legally on the rear axle. *



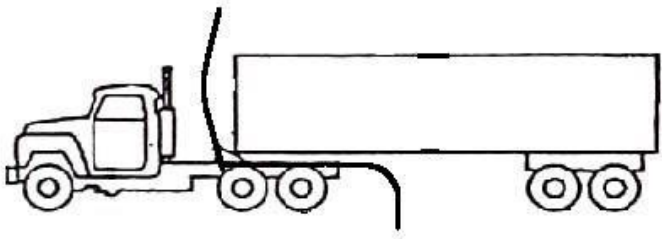
Truck Gross Weight Truck Gross Weight



Semi-Trailer Gross Weight

* Combined Gross Weight and Gross Weight are basically the same. Depending on the jurisdiction, they are considered interchangeable.

3) Unladen Weight – The actual weight of the vehicle including the cab, body and all accessories with which the vehicle is equipped for normal use on the highway, excluding the weight of any load.



Tractor Unladen Weight Semi-Trailer Unladen Weight

## II. ELIGIBILITY/EXCEPTIONS (IRP Article II)

### A. Eligibility

1. **Apportionable Vehicle -** A vehicle defined in the IRP as an apportionable vehicle is any power unit that is used or intended for use in two or more member jurisdictions and that is used for the transportation of persons for hire or property, and:

   - Has two axles and a gross weight, or registered gross vehicle weight, in excess of 11,793.401 kgs/26,000 pounds; or
   - Has three or more axles, regardless of weight; or
   - Is used in combination when the combined gross weight exceeds 11,793.401 kgs/26,000 pounds.

   A vehicle that may be included in an IRP fleet at the registrant's option is any vehicle that is used, or intended for use, for the transportation of persons or property, including a power unit or the power unit in a combination of vehicles having a gross vehicle weight of 26,000 pounds/11,793.401 kilograms or less.

2. **Fleet -** A fleet is one or more **apportionable vehicles designated by the registrant for IRP reporting**. Registrants must meet basic requirements by (Plan 305):

   - Maintaining an **established place of business**, which means a physical structure located in the base jurisdiction, owned, leased or rented by the fleet registrant, or proving residency;
   - Maintaining operational records; and
   - Accruing distance in the **base jurisdiction**. The Plan does not require that all fleet vehicles accrue distance in the base jurisdiction.

   Registrants may choose to separate vehicles into multiple fleets as allowed by the base jurisdiction.

### B. Exceptions to IRP Registrations

The IRP does not require registration for the following vehicles:

- Vehicles operating under separate reciprocity agreements that are not superseded by the IRP, or
- Commercial vehicles used solely within the base jurisdiction, or
- Recreational vehicles used for personal pleasure or travel by an individual or family, or
- Commercial vehicles displaying restricted plates which have geographic area, distance, or commodity restrictions, or
- Trailers, or
- Government-owned vehicles, or
  Vehicles operating under trip permits.

Consult the Plan at the IRP website for specific definitions and requirements. (www.irponline.org)

## III. REGISTRANT RESPONSIBILITIES (IRP Articles VII, VIII, IX, X; APM 5)

A registrant who registers vehicles under the IRP must maintain records to substantiate the reported distance traveled and the cost of all vehicles in their IRP fleet(s).

### A. Source Documents (IRP 1005)

#### 1. Vehicle Costs

Some jurisdictions may require registrants to maintain records to support the cost of vehicles in the IRP fleet(s). In such an instance, the cost of any capital additions and modifications made should be determined in accordance with the laws of each jurisdiction.

#### 2. Trip Records (IRP 1010)

Records produced by a means other than a vehicle-tracking system that contain the following elements will be accepted by the base jurisdiction as adequate:

a) the beginning and ending dates of the trip
b) the origin and destination of the trip
c) the route of travel
d) the beginning and ending reading from the odometer, hubodometer, engine control module (ECM), or any similar device for the trip
e) the total distance of the trip
f) the distance traveled in each jurisdiction
g) the vehicle identification number or vehicle unit number

Prior to January 1, 2024, for records produced wholly or partly by a vehicle-tracking system, including a system based on a global positioning system (GPS):

a) the original GPS or other location data for the vehicle to which the records pertain
b) the date and time of each GPS or other system reading
c) the location of each GPS or other system reading
d) the beginning and ending reading from the odometer, hubodometer, engine control module (ECM), or any similar device for the period to which the records pertain
e) the calculated distance between each GPS or other system reading
f) the route of the vehicle's travel
g) the total distance traveled by the vehicle
h) the distance traveled in each jurisdiction
i) the vehicle identification number or vehicle unit number

Effective January 1, 2024, for records produced by a vehicle-tracking system that utilizes latitudes and longitudes, a Record must be created and maintained at a minimum of every 15 minutes when the Vehicle's engine is on and contain the following data elements:

a) Vehicle identification number or Vehicle unit number
b) the date and time of system reading
c) the latitude and longitude to include a minimum of 4 decimal places (0.0001) of each system reading
d) odometer reading from the engine control module (ECM) of each system reading. If no ECM odometer is available, a beginning and ending dashboard odometer or hubometer for the trip will be acceptable

This data must be accessible in an electronic spreadsheet format such as XLS, XLSX, CSV or Delimited text file. Formats from a vehicle tracking system that provide a static image such as PDF, JPEG, PNG, or Word are not considered accessible.

**3. Trip Permits (IRP Article II)**

Trip permits are no longer required for apportioned vehicles under FRP since all jurisdictions are reflected on the cab card.

**4. Monthly/Quarterly Summaries (IRP 1010(c))**

The trip information should be summarized on a monthly/quarterly basis. Generally, a quarterly summary would be a minimum. The summary will contain information by vehicle (e.g., distance by jurisdiction, total distance traveled in each jurisdiction) and by fleet (distance by jurisdiction, total distance). Depending upon the size of the fleet, summaries may not be necessary to conduct the audit.

**5. Annual Summaries (IRP 1010(c))**

When a summary of the quarterly summaries is available, the auditor should compare the summary distance to what is actually reported on the corresponding IRP registration application.

**6. Receiving Contract (IRP 915)**

A different situation may be encountered in accumulating distance on one-way fleet vehicles. The source document on a one-way vehicle is the "receiving contract," which is the paperwork completed when a one-way vehicle is turned in or otherwise "received."

**7. Supporting Trip Information (IRP 1010)**

The trip information must be accurate and legible. Distance can be obtained from various sources such as odometer and/or hubodometer readings, readings from the Electronic Control Module (ECM), provincial/state maps, a standard distance guide, a household goods distance guide, or computer software, as long as the method used is accurate and consistent. Ideally though, the registrant will record and use odometer readings as provided for under IRP 1010. Registrants should accumulate trip records and prepare monthly, quarterly, and annual summaries, which are used to prepare the IRP registration application. It must be stressed that the distance supported by trip records can be used in numerous areas where a registrant is required to file some type of distance report, such as for fuel usage, third-structure taxes, etc.

**8. Total Distance (IRP Article II)**

In recording the actual distance of an apportioned vehicle, the registrant must record all movement (interjurisdictional and intrajurisdictional) including loaded, empty, dead head and/or bobtail distance. It shall further be the responsibility of the registrant to record all distance traveled by apportioned vehicles while operating with trip permits.

**9. Leases (IRP Articles II, VII, IX)**

The terms "lessor" and "lessee" are used by some of the registration offices to signify carrier (lessee) and owner-operator (lessor) agreements. Care must be used in determining how the terms are used by the audited registrant, i.e., whether the vehicle is leased by the carrier or whether the carrier has an agreement with an owner-operator. Regardless, the party in whose name the vehicle is registered under is also responsible for reporting the distance traveled. and maintaining the records.

**10. Rental Passenger Vehicles (IRP 905)**
Registrants in the business of leasing vehicles are also subject to audit; however, those audits are based on total gross revenue generated in all member jurisdictions versus in-jurisdiction revenue. It is from this percent factor that the registrant determines the total number of power units to be registered in a member jurisdiction. This is commonly referred to as "allocation".

**11. Rental Utility Trailers (IRP 910)**
Registrants in the business of renting utility trailers are subject to audit; however, those audits are based on the Certified Average Registration Program (CARP). This is an average inventory kept on all trailers located in or passing through a jurisdiction during the year. This average is then used as the number of trailers to be registered in that jurisdiction for the following year.

**12. Other Records**
Copies of the forms filed for annual registration (IRP applications, supplemental applications, distance schedules, etc.) must be retained in some format by the base jurisdiction for audit purposes.

## B. Records Retention (IRP 1000 and 1005)

### 1. Distance Records
The records on which an apportioned application is based must be retained by the registrant for three years following the close of the registration year. This refers to the records relative to the distance reporting period (see chart on page 14); the renewal application is of no value without the source documentation used for its completion. Ultimately, the responsibility for retaining records falls to the party in whose name the vehicle is registered.

Example: 2022 calendar year renewals close 12/31/22 and rely on the 07/01/2020 – 06/30/2021 distance reporting period. Those records must be retained through 12/31/25 (3 years following the close of the registration year) and made available for audit on request. In this example, that is 5 ½ years (7/2020 – 12/2025). After 12/31/25, a waiver to the statute of limitations, signed by the registrant, would be required in order for the jurisdiction to audit those records.

### 2. Vehicle Cost and Weight Records
Vehicle cost and weight records must be maintained for all vehicles that are currently registered in the fleet. For vehicles that have been deleted from a fleet, vehicle cost and weight records must be retained for three years after the vehicles are deleted from the fleet.

### 3. Storage System
Records may be produced through any means and kept in any format or medium accessible by the base jurisdiction with the exception of records produced by a vehicle-tracking system that utilizes latitudes and longitudes effective January 1, 2024. Latitude and longitude data must be accessible in an electronic spreadsheet format such as XLS, XLSX, CSV or Delimited text file. Formats from a vehicle tracking system that provide a static image such as PDF, JPEG, PNG, or Word are not considered accessible.

## IV. GENERAL STANDARDS, QUALIFICATIONS, AND RESPONSIBILITIES (IRP Article II, 1020, 1025, APM Article 7)

**What Constitutes an Audit?**

- "Audit" means the examination of a registrant's records, including source documents, to verify the distances reported in the registrant's application for apportioned registration and evaluate the accuracy of the distance-accounting system for the fleet. Such an examination may be of multiple fleets for multiple years. The purpose of the audit is to determine the total distance traveled by the fleet and the percentage of distance traveled in each member jurisdiction.

- The examination of one fleet for one registration year constitutes one audit (jurisdictions may audit multiple registration years and/or multiple fleets that are subject to audit). Additionally, member jurisdictions may substitute three records reviews (APM Article 7) for one audit, with a maximum substitution of 25% of the total of the audits required by IRP 1025(a). Such reviews must be conducted in accordance with the guidelines for records reviews set out in the APM.

- Conducting and processing audits of a current registration year are acceptable if a jurisdiction's processing system has the ability to effect the changes in percentages throughout the balance of the registration year. If the jurisdictional processing system cannot accommodate current year changes, then a jurisdiction can wait until the beginning of the next registration year to process their accumulated current year audits.

- Pre-auditing a current registration year is allowable if the registrant's appeal rights are appropriately preserved, and proper notification or waiver is executed prior to auditing the records. Pre-auditing generally occurs in joint shops where the IFTA audit, which often includes more current periods, encompasses the distance reporting period that will be utilized by the registrant upon renewal. Since the reporting period has already been audited, any adjustments will be applied when, and if, a renewal is processed and paid. That is also the time the audit will be counted. The normal file documentation procedures will be followed. Audit reports will continue to reflect the reported distance compared to the audited distance.
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### A. Standards

In accordance with Articles 2 and 3 of the APM, training and proficiency in auditing, independence, due professional care and objectivity are all key elements when conducting an audit and preparing the audit report. The auditor must exercise due diligence to develop an understanding of the registrant's distance accounting system and correctly evaluate the internal controls, both of which must be documented. Any system and/or control weaknesses are also to be documented in the audit file and communicated to the registrant before the audit is finalized.

The auditor must evaluate the impact of all strengths and weaknesses on the audit, determine the reliability of the registrant's records and make appropriate adjustments to the audit program, or planned processes. It is the auditor's responsibility to ensure evidence obtained is sufficient and appropriate in order to draw reasonable conclusions on which to base the audit opinion.

Audits must also be adequately planned and supervised. Proper planning includes the development of the overall strategy and detailed approach that will enable accomplishment of the audit. All persons performing the audit should understand their assignment and how their work relates to the overall objective of the audit. Adequate supervision ensures that the work of all persons is properly executed and includes a supervisory review of the audit file for accuracy and completeness. This

review must be documented in the audit file.

### B. Auditor Responsibilities

- All registrants and member jurisdictions must be given equal and fair consideration.
- Each registrant should be audited under a uniform program unless special circumstances dictate otherwise.
- The auditor's conduct should promote cooperation and good relations with both registrants and the membership.

## V. AUDIT PLAN (IRP 1025)

### A. Audit Selection and Assignment

- Each jurisdiction is peer reviewed every five years. The base jurisdiction must audit an average of 3% per year of the number of fleets whose registration it renewed annually. The number of fleets renewed in the current year determines the 3% requirement for the succeeding calendar year (i.e., 4,500 renewed fleets during calendar year 2023 is the basis for the calendar year 2024 requirement of 135 audits).

- IRP audits may be selected from various audit leads (i.e., IFTA, jurisdiction personnel, etc.).

- Selection requirements do not exclude audits originating from various criteria, such as information from law enforcement, informants, processors, etc.

- The audit file (hard copy or electronic) will include, but not be limited to, the working papers, documentation of all written and oral communications, equipment lists, any waivers, etc.

### B. Preliminary Audit Procedures (APM 501)

As indicated in the balance of this section, any preparation that can be performed prior to arriving at the registrant's place of business should be accomplished. This will reduce the time needed to conduct the audit at the registrant's office, while serving to familiarize the auditor with the registrant's business and reporting history. If a previous audit is known to have been conducted, those findings, including any non-compliance issues, should be documented in the audit file.

#### 1. Review Office Files and Update Audit File with:

a) Past audits and areas of non-compliance or discrepancies;
b) IRP equipment list;
c) Any other related information accessible to the auditor. This includes items such as Federal Motor Carrier Safety Administration (FMCSA) data such as vehicle inspection reports (https://ai.fmcsa.dot.gov/SMS/), comparison to IFTA reporting for the same time frame, etc.

#### 2. Audit Period Determination

The IRP audit period will commence at the start of the distance reporting period for the registration year/years under audit, but not before the date of the last IRP audit.

### 3. Equipment List Preparation (APM 501)

Under the IRP, the distance accumulated during a specified "reporting period" is reported on either an original or renewal application. Except as provided below, the reporting period is the period of 12 consecutive months immediately prior to July 1st of the calendar year immediately preceding the beginning of the registration year for which apportioned registration is sought. It should be noted that renewals effective October 1st or later, will reflect the most current July – June distance reporting period as indicated in the following table:

| If the first month of the Registration Year is: | The Reporting Period is: |
|---|---|
| January 2023 | July 1, 2021 to June 30, 2022 |
| February 2023 | July 1, 2021to June 30, 2022 |
| March 2023 | July 1, 2021 to June 30, 2022 |
| April 2023 | July 1, 2021 to June 30, 2022 |
| May 2023 | July 1, 2021 to June 30, 2022 |
| June 2023 | July 1, 2021 to June 30, 2022 |
| July 2023 | July 1, 2021 to June 30, 2022 |
| August 2023 | July 1, 2021 to June 30, 2022 |
| September 2023 | July 1, 2021 to June 30, 2022 |
| October 2023 | July 1, 2022 to June 30, 2023 |
| November 2023 | July 1, 2022 to June 30, 2023 |
| December 2023 | July 1, 2022 to June 30, 2023 |

The auditor must identify, and document in the audit file, the population of fleet vehicles in the registration year and in the reporting period subject to audit. The auditor determines which vehicles were in operation during the reporting period by reviewing the prior years' registration history.

a) An equipment list should be prepared showing the vehicles that were in the fleet during every July 1st through June 30th distance reporting period under audit. The list must include the following at a minimum:

    1) equipment number;
    2) vehicle weight;
    3) vehicle identification number; and
    4) inclusive months each vehicle was in the fleet.

b) Update the list from the supplemental applications, noting the vehicle description and the date the vehicle was added, or the date that any vehicle was removed from the fleet.

### 4. Selection of Representative Sample Period for Testing Purposes (APM 503)

The auditor will use the equipment list to select vehicles with respect to sampling.
The auditor may, based upon the preliminary audit procedures, determine a preliminary sample selection for discussion purposes. A more accurate sample period can be selected after the opening conference and further discussion with the registrant.

### 5. Audit Notification (APM 401)

At least 30 days prior to conducting the audit, the registrant must be notified (Example in Appendix 1) an audit is to be conducted on the records substantiating the distance reported on the

respective apportioned registration applications (the 30-day requirement may be waived by the registrant). A good resource to include with the notification is a pre-audit and/or internal control questionnaire. The base jurisdiction may elect to:

a) send the notification and then contact the registrant by phone or other method to set up the audit appointment and discuss the audit period and the records to be audited, or
b) contact the registrant by phone first to set up the audit appointment and discuss the audit period and the records to be audited, followed by the audit notification.

## VI. CONDUCTING THE AUDIT (IRP Article X, APM Articles 4 & 5)

### A. Background

#### 1. Understanding the Emphasis of the Audit (APM 502)

The audit emphasis should be placed on the evaluation of the registrant's distance accounting system to determine if the system can be relied upon. Based on the study and evaluation of internal controls, along with other relevant factors, the auditor needs to determine the nature and extent of procedures necessary to test the system or controls. Equally important is open communication between the registrant and auditor. Asking questions as necessary and communicating any potential issues when discovered will help to ensure there are no surprises – for either party – at the conclusion of the process.

The auditor may select a few distance records and follow them through the accounting system to check the reliability of the recording process. Once the degree of reliance on the accounting system is established and supported by test results, the auditor can determine the extent of sampling necessary.

#### 2. Opening Conference (APM 402)

The auditor should hold an opening conference with the registrant. The purpose of this meeting is to explain the audit process and to gain an understanding of the registrant's distance accounting system, equipment registration system (including leased vehicles, owner-operated vehicles, and non-IRP equipment) and internal control structure, to include any changes in operations, key personnel, accounting and/or reporting processes. If an audit questionnaire (Appendix 2) was not completed during the preliminary process, it may be beneficial to complete one at this time.

The conference should also outline the registrant's operations, the audit procedures, records to be examined, proposed sample period, sampling procedures, etc. The registrant and auditor(s) should determine who has the responsibility for the final acceptance of audit findings and who should be involved in the closing/exit conference.

During the initial contact, the auditor may have spoken with the registrant by telephone to schedule and explain the process, periods, records requirements, etc. After the records are received, the auditor should hold an opening conference, if possible, to discuss the documentation, the anticipated audit procedures, etc. The auditor may find that what the registrant initially said was maintained and what was actually provided is somewhat different, and those items cannot be adequately discussed until the records are reviewed. Many registrants will not understand what is required of them during the audit process. Take this opportunity to educate them. Some factors to review when conducting the conference are:

**a) Registrant's Operations**

(i) Determine what the registrant's business is;
(ii) Determine the organizational structure of the company;
(iii) Determine whether there been any changes in operations, key personnel, distance accounting and/or reporting processes.

**b) General Information**

(i) Identify whom to talk to about obtaining records, discussing errors, and attending closing/exit conferences;
(ii) Determine what the working hours of the office are and the individuals' work schedules.

During subsequent interviews, the auditor should talk to the people involved with processing the information, explain the audit process and discuss the unique aspects of their business. The importance of effective communication cannot be stressed too often. An auditor should make every effort to communicate with the registrant throughout the audit process. Doing so will prevent unnecessary controversies and promote acceptance of the audit findings. During all discussions, remember to think about the most efficient approach to auditing the registrant's records. Consider management philosophy and control methods, competence of personnel, other influences on the distance reporting system, such as payroll, and your audit objectives.

**c) Records**

(i) Determine if the requested records are available for audit (for record keeping requirements, review Section III of this manual).
(ii) Determine if the registrant has complete records for the year(s) under audit;
(iii) Determine whether the information contained in the trip records is sufficient to allow audit of the reported distance;
(iv) Review pertinent lease agreements to determine the registrant’s responsibility;
(v) Discuss whether distance is determined by odometer readings or other device, by routes, or by a standard distance chart (including maps). If the odometer/hubodometer is not used, was total distance accurately determined?
(vi) Review how the trip records are kept; determine whether they are turned in after each trip, weekly, monthly, etc.;
(vii) Determine how trips and/or trip sheets are numbered (i.e., pre- numbered, numbered by the driver, same as shipment number, numbered upon completion of trip, etc.);
(viii) Determine how the registrant records and reports distance when a trip overlaps months/quarters (is the distance based on the trip ending date, beginning date, or cut off on a specific day or date of the month).

**d) Internal Controls**

(i) Make inquiries about the system by interviewing personnel involved with the reporting process;
(ii) Walk through the system (see f);
(iii) Determine the extent of automation within the registrant's system of record keeping;
(iv) Determine if the distance accounting system is a stand-alone system or integrated with the company's financial or other systems;
(v) Determine if a review or edit is performed of the trip records and distance compiled, including who does the review and whether the review is documented;

(vi) Determine if a review or edit is performed of the monthly or quarterly summaries, including who does the review and whether the review or edit is documented;
(vii) If edits are performed, obtain a pre-edit version of the documentation;
(viii) Determine if a third party (service agent, accountant, etc.) prepared the registration documents, and ensure the appropriate authorization(s) have been obtained (may not be applicable in all jurisdictions).

**e) Gathering Information about the System**

Information about a registrant's record keeping system is obtained through discussion with the personnel involved in order to find out each individual's role in the system and their knowledge. This is an important step and is accomplished by exercising professional judgment in evaluating the information obtained. The auditor has a responsibility to report any weaknesses to the registrant in accordance with APM 502 and 601. The auditor should identify the strengths and weaknesses of the registrant's system to determine the nature and extent of the audit procedures employed.

A **strength** is a control or a procedure the auditor intends to rely upon to reduce testing. For example, if the auditor believes that controls for assigning distance among the jurisdictions are adequate the auditor can reduce, not eliminate, the testing.

A **weakness** in the system can be defined as the absence of a control, which makes the auditor's expectations of error greater than would normally be found in a system with adequate internal control.

Internal control evaluation guides or questionnaires may be used as a reminder to list points to be considered.

**f) Walk-Through of the System**

(i) When possible, the auditor should select at least one trip to follow through the distance accounting system.
(ii) As part of the walk-through, the auditor should ask to review each point where some action is taken, such as a check of clerical accuracy, a review, or an approval. For example, if an individual is to have initialed or signed the document before passing it along to another department, the auditor may ascertain that this was done by inquiring whether the initials or the signature appearing on the documents is that of the employee being interviewed. The auditor may observe how the current documents flowing through the system are being handled by the individual interviewed. The auditor may also check on information received by asking each individual to describe the work being done under the prescribed procedures.

The walk-through enables the auditor to obtain a better understanding of the detailed operations.

**g) Document the System**

(i) Has the system been audited before?
(ii) Identify the source documents. The auditor may find the creation of a narrative or flow chart is helpful.
(iii) Consider all possible error types, determine the controls that should detect the errors,

and decide if the registrant's procedures contain those controls.

(iv) Based on the analysis, determine whether the system can be audited, the scope of the audit, and establish the specific audit procedures.

(v) If the auditor has determined that the system enables representative records to be maintained, the auditor must next determine if the individual records are sufficient and appropriate for audit.

(vi) One of the auditing standards of fieldwork is that sufficient competent evidence is obtained to support the accuracy of any report filed by the registrant.

### 3. Understanding of the Fleet and Lease Agreements

The auditor should have acquired a clear understanding of the registrant's IRP fleet(s) either before or during the opening conference. The auditor needs to know the number of vehicles in the registrant's fleet and if the registrant has any lease agreements with owner-operators. The lease agreements need to be examined to determine reporting responsibilities. Auditors must be aware that there are various forms of lease agreements. For example, there may be a lease between an owner operator and a carrier, there are companies that strictly specialize in leasing vehicles, one corporate entity may lease their vehicles to another corporate entity, etc.

## B. Determining Quality of Source Documents

Most of the auditor's work in determining the accuracy of an IRP application consists of obtaining and evaluating distance and equipment records.

### 1. Nature of Evidence

There are several types of records that may be used as evidence during the audit, either manually or electronically maintained. Some examples include, but are not limited to, trip records, GPS or other electronic data records/reports, vehicle maintenance records, driver's daily logs, employee timecards or earning records, maintenance records, dispatch reports, bills of lading, cash disbursement records, cash receipts records, fuel documentation, road tolls, driver lodging/meal expenses, leases, titles, and reports filed with the jurisdictions.

### 2. Verifying Equipment List (APM 501)

The auditor needs to determine that all qualified vehicles are included on the equipment list. A method of obtaining an equipment list is to review the equipment list filed with the annual IRP application (see Section V(B)(3)).

The equipment list for fuel tax should also be examined as it may differ from the equipment list for IRP. The auditor must be sure to compare both equipment lists against the registrant's records carefully and completely. This is especially important during the conduct of a joint (IRP/IFTA) audit or anytime IFTA documentation is relied upon in an IRP audit. Oftentimes the registrant provides IFTA credentials for owner/operators who secure their own apportioned plates; therefore, the fleets are not in common, and the data must be separated for the IRP segment.

### 3. Distance Summaries/Recaps

The auditor may request whether the registrant maintains summaries that support their IRP registration. If so, one of the first steps the auditor will want to take is to compare the monthly, quarterly and/or annual summaries to the IRP application. This will help determine if the auditor is working with the records that were used to prepare the renewal. If summaries are not maintained

and the IRP/IFTA fleets are common, copies of the quarterly tax returns can serve as quarterly fleet summaries.

If summaries are not maintained and prove necessary, the auditor may require the registrant create them. The auditor should verify enough summaries/recaps to determine if the annual renewals are being filed properly. The auditor must also verify that the distance has been properly reported to the various jurisdictions.

#### 4. Inadequate Records – (IRP 1015)

If the records maintained by the registrant do not enable verification of the reported distances and an evaluation of the accuracy of the distance accounting system, or the registrant does not make records available within 30 calendar days of a written demand by the base jurisdiction, an inadequate records assessment must be issued.

The assessment will be twenty percent (20%) of the apportionable fees paid by the registrant for the respective registration year. The assessment will increase to fifty percent (50%) in the event of a second offense and will increase to one hundred percent (100%) for a third or subsequent offense. It is possible to audit multiple registration years during the same audit engagement and find a mixture of adequate and inadequate ratings (i.e., an audit for registration years 2023, 2024 and 2025may result in an inadequate rating for 2023 and 2024 but adequate for 2025). In such an instance, the applied assessment would be the same for both registration years found to be inadequate (i.e., 20% if first such rating for the registrant). The graduated assessment is only applied to subsequent audit engagements.

### C. Sampling – (APM 503)

It is not always necessary to conduct an audit of all of the records maintained for the registrant's vehicles. The vehicles to be audited can be chosen by using a sampling method. In order for the sample to be representative, it must be selected from the appropriate population. Sampling introduces an element of risk into auditing. The auditor continually decides how extensive the procedures must be to avoid excessive risk. The auditor considers the effectiveness of systems of internal control, the number and size of items to be tested, and the probabilities that groups of items, numbers of vehicles, total distance, or distance allocations will be misstated by a significant amount. As with materiality, judgment plays an important role in determining the acceptable risk.

Non-statistical sampling is the standard approach generally used by IRP auditors. The auditor determines a sample size and evaluates the results of the sample based on the sound reasoning and judgment of the auditor. This differs from statistical sampling in that sampling risk is not measured. Regardless of what sampling methodology is used, the auditor should discuss the proposed sample with the registrant in accordance with APM 503(a). Some jurisdictions require a sampling agreement form be signed by both the auditor and the registrant.

#### 1. Types of Sampling

There are several approaches for non-statistical sampling, including haphazard, random, systematic, judgmental, and block.

a) Haphazard sampling - Items have been selected without regard to size, source, or other attributes. This is an attempt by the auditor to select a sample without bias. For IRP auditors, this is the most common method used to select vehicles for testing.
b) Random sampling - Each vehicle in the population has an equal chance of being selected, without bias. This can be accomplished by using a random number table or a computer program, which generates random numbers. It is likely that the registrant's vehicle

numbering system will be unique for internal purposes and not consistent with random number tables or computer software. It may be necessary to number the vehicles starting with 1, in order to use a table or computer to generate the sample.

c) Systematic sampling - Auditor selects every "nth" item. When an auditor is in the field, systematic selection is a convenient method of selecting a sample, as long as the population is in random order.
d) Judgmental sampling - The sample is selected based on the sound reasoning and judgment of the auditor. For IRP auditors, this method is common when there are unusual relationships, and the auditor feels errors could exist in a specific area.
e) Block sampling - Items are selected in a sequence. For IRP auditors, this is the most common method used. The sequence is usually three consecutive months (one quarter within the reporting period).

**2. Sample Size**

The IRP does not have any quantitative guidelines established when selecting the number of vehicles for the sample size. The size of the sample will depend upon the results of the auditor's preliminary review of factors such as the:

a) internal control of the registrant's distance accounting system;
b) internal control of the registrant's reporting system;
c) flow of paperwork within the registrant's system;
d) system of calculating distance;
e) record retention system;
f) consistency of the reporting system.

When selecting the different vehicles from the months selected for audit, try to get a cross-section (i.e., a representative sample). If you are confident that the sample is valid and representative, do not be concerned if the sample does not represent distance in all IRP jurisdictions. However, a representative sample will generally include the jurisdictions most often frequented by the registrant. You may request distance information for a specific vehicle and time period to review, to at least validate that distance not represented within the sample is correct.

**3. Sampling Source Documents (APM 503)**

Source documents for test units for no less than three representative months within the distance reporting period will be selected for audit with respect to jurisdictional distance and other attributes required by IRP 1010. When testing trips, care should be taken to ensure the same route of travel is taken by the auditor. This is especially important considering that jurisdictional projections often result from trip testing.

The most effective method of tracing distance from the trip records to the summaries is through a method of sequential audit. Using this method, the auditor tracks the beginning odometer reading to the final odometer reading for the period. If odometer readings are not consistently available, continuity between the locations specified at the ending/beginning of each successive trip should be confirmed. This catches the most common error - failure to include deadhead distance. For example, deadhead distance might not be properly accounted for if the end of the prior trip is Tucson, and the next trip starts in Phoenix.

## 4. Practical Aspects of Sampling

When conducting the sampling process, the auditor should also consider the following practical aspects:

a) If you selected 15 vehicles for testing and have tested eight vehicles and found no errors, consider discontinuing testing - what is the risk of error?
b) If you select a sample and find errors, consider whether the errors are isolated or recurring. A recurring error should be projected over the audit period, but an isolated error should not. For example, if all reported jurisdictional distance is rounded up by the driver(s) when recorded on the trip record, and entered into the system as such, this would be a recurring error. However, if the error is isolated to specific vehicles, then the error would only be projected to those vehicles.
c) If there is a situation where only isolated errors are occurring, discontinue sampling and audit in detail for the isolated errors. Do not include isolated errors in the sample projection. For example, each quarter the registrant inadvertently records their Mississippi distance to MI instead of MS; although this error occurs multiple times, it would still be considered isolated because it is not a projectable error.
d) If you selected a sample and found errors, consider whether the resulting error factor is reasonable. Sit down with the registrant and discuss the problems. It might be necessary to expand your sample.

## 5. Some Pointers Regarding Sampling

Sample periods should be chosen in such a manner as to prevent biased results. If one quarter appears unreasonable compared to other quarters within the reporting period, selecting that quarter as the sample period may not be appropriate considering the high probability of a problem that should not be projected. However, that quarter should be reviewed independently to determine and correct the problem.

a) Sample periods may be adjusted to accommodate the registrant’s reporting system(s) or record retention design(s) as long as the results remain representative, valid, and reliable.
b) The auditor must consider the effects of multiple weight classes as well as long haul vs. local or regional in regard to the design and selection of the sample period or sample vehicles. When multiple weights and/or operations are included within the same fleet, the most accurate results will be reflected when the vehicle selection is stratified accordingly.
c) The auditor must consider the effects of multiple operating divisions and/or fleets, which may have different vehicle types and reporting systems, in regard to the design and selection of the sample period or sample vehicles. Audit count is determined on a fleet basis; therefore, when a registrant has multiple fleets, each requires a separate sample.
d) Sample periods may be changed, modified, and deleted at the auditor's discretion based upon documentation of the registrant’s environment (internal control, distance accounting system, and record retention).
e) The registrant may request the sample period be changed because of some extraordinary event (fact). This request may be allowed, but the auditor would have to audit the "exception period" as well as the new period. An error in the exception period may be isolated to that period. If the exception period could not be audited, the auditor should provide an explanation and possibly isolate the effect of unacceptable record keeping.
f) Any sampling procedure that deviates from the examination of all items in a sample period must be documented as to the reason for the deviation and for the new sampling

procedure.

g) The auditor must use solid professional judgment and common sense in applying sample period results.

h) A sample size is acceptable, provided the auditor documents the procedure used to secure the items in the sample. Possible sample size (jurisdictional policy may differ):

| Fleet Size | Vehicles Sampled |
|---|---|
| 1,000 + units | 30 + |
| 1,000 units | 20-30 |
| 500 units | 15-20 |
| 100 units | 10-15 |
| 50 units | 6-8 |
| 10 units | 1-2 |

When selecting the sample size, the auditor should consider the effectiveness of the internal control system, the number and size of items to be tested, number of vehicles, total jurisdictional distance, etc. Auditor judgment plays an important role in determining the risk accepted.

### 6. Evaluating Sampling Results

After the audit procedures have been performed for the sample period(s), the auditor must evaluate the results to determine whether the findings should be projected over the audit period (recurring errors). Below is a list of several commonly occurring errors to look for during an audit.

- Incorrect time period (distance year) reported
- Total distance reported does not match odometer readings
- Failure to record deadhead or bobtail distance
- Failure to record base jurisdiction distance
- Failure to operate interjurisdictionally
- Clerical errors in distance calculations/reporting
- Errors in transcribing distance from trip record to recap, including:
  - General transcription errors
  - Picking up route number rather than distance
  - Trip record distance not included on recap
  - Some trip records missing
  - Page of driver's notebook missing
  - Trip record does not break out distance by jurisdiction
  - Vehicle eliminated from fleet and not reflected in distance figures
  - All log sheets not available at end of month and person in office estimates distance for remaining timeframe
  - Pick up 250 miles for trip as South Carolina when should be 160 in North Carolina and 90 in South Carolina
  - Pick up wrong jurisdiction from trip record - especially similar names, such as New York and New Jersey
  - Odometer gaps - beginning odometer reading does not agree with prior ending odometer reading
  - Increasing all distance by a percentage to make sure enough distance is reported

- Origin, destination and other stops (fuel, break, etc.) are identified, but the route is run via software with only origin/destination input.
- Trip locations are identified via technology (i.e., GPS, etc.) but route is adjusted by a quality control editor.
- IRP distance does not match IFTA distance (only applies when the fleets are the same).
- When auditing IFTA in conjunction with the IRP audit, fuel is found in a jurisdiction, but no miles are reported for that jurisdiction.

Analyzing and isolating errors will help the auditor focus on possible problems. There are two major reasons for the analysis:

1. To correct the error before projecting the test results, and
2. To review the error with the registrant so they can correct the reporting system.

### 7. Projecting Errors

When the auditor uncovers errors during the audit, there are several courses of action that can be taken.

a) Isolate the reason for the error and using the facts and circumstances of that particular situation, estimate the error. For example, if the reason for the error is that the base jurisdiction distance is not reported, determine the interjurisdictional distance per day, week or trip. Then, determine the applicable number of days, weeks or trips and multiply to arrive at the total error.

b) If the sample results can be representative of the population, project the error based on the sample results. For instance, if distance for one vehicle is omitted from the application and it runs a similar route throughout the year, use your three-month sample and multiply the sample error by four (quarters) to arrive at the annual error.

c) If the sample is not representative of the population, expand the sample size to an extent that is representative of the population, up to 100%. However, if relatively minor errors or isolated errors are noted, it might not be necessary to expand the sample.

d) If an isolated or non-recurring error is noted, do not project sample results, but use the actual error amount.

e) If the type of error that is occurring cannot be determined, expand the audit in that particular area. The auditor can then determine the total error or better project the error based on the facts and circumstances. For instance, if the error is an end-of-month cut-off, expand the audit to cover the end-of-month cut-off problem.

f) Use the sample error to project the error in the population.

g) If minor or inconsequential errors are found there may be some situations where these errors are not projected. Auditor judgment and diligent care should be observed in this area due to IRP 1020(b), which states: “An Audit of a Registrant performed by the Base Jurisdiction shall be conducted on behalf of all the Member Jurisdictions, and the Base Jurisdiction may make assessments and collections of fees based on its Audit.”

h) IRP 1005 requires that the registrant maintain specific records from which their true liability can be determined. The terms sufficient (quantity) and appropriate (quality) are to be considered when determining the adequacy of the registrant’s records. In other words, are there enough records to audit, and do those records contain enough of the required elements to verify the activity. If so, the records will be considered adequate for audit, even though they may prove inaccurate or may have been used inappropriately when preparing the IRP registration application.

*When the auditor uses sampling as an audit tool, and projects any errors to the population, the projection may result in significant distance discrepancies and fee recalculations. Any affected member jurisdiction may request additional information, including the working papers, to determine whether the base jurisdiction audit adequately supports the refund/assessment request.*

*WHEN RECORDS CANNOT BE AUDITED OR ARE NOT PROVIDED, AN INADEQUATE RECORDS ASSESSMENT MUST BE ISSUED IN ACCORDANCE WITH PLAN SECTION 1015.*

## D. Distance Verification (APM 503, 504 & 505)

### 1. Testing Distance Recorded in the Registrant's System

Examine the selected trip records to determine if:

a) They contain enough of the required information;
b) Trip distance recorded is reasonably accurate and properly allocated among all jurisdictions. A distance program can be used as a tool to determine the accuracy of the reported distance.
c) Vehicle movement is continuous (i.e., odometer readings are sequential and/or preceding trip destination is same as next trip's origin); and
d) No unusual time lapses exist between recorded trips.

As the auditor reviews a registrant's distance records, situations may be encountered where audited figures differ from those reported. These differences need to be discussed with the registrant to determine why they occurred.

### 2. Accuracy of the Distance Information in the Trip Records

The distance in a trip record must be verified by the auditor and can be accomplished in several ways. The records will often reflect:

(i) Odometer or hubodometer readings;
(ii) Routes of travel or latitude/longitude points; and/or
(iii) Engine Control Module (ECM) readings.

Sources that may be used to verify that information are:

(i) Official jurisdiction highway maps or a commercial road atlas;
(ii) Standard Distance charts; and/or
(iii) Distance software programs.

The auditor should remember that even if odometer/hubodometer readings are provided and appear to have been correctly recorded at jurisdictional borders, verification of trip distance using one or more of the above items is still required.

### 3. Relevance and Frequency of Differences in Trip Records

One of the main functions of the audit will be to determine the relevance and frequency (isolated or recurring) of the differences found in the trip record distance, and to determine whether the application of changes to a registrant's system as a whole is warranted. Factors that may cause differences between reported and audited distance that should be reviewed during the audit include:

a) Failure to include all deadhead and interjurisdictional distance:

(i) Beginning odometer reading does not agree with previous trip ending reading;
(ii) A successive trip begins in a different location.

b) Missing trip records:

(i) Unexplained period of time or distance;
(ii) Valid trip record not entered in monthly recaps.

c) Trip record does not include all necessary information:

(i) Jurisdictional distance not allocated;
(ii) In-city delivery/local area or regional distance not noted.

d) Inaccurate distance data on the trip records:

(i) Broken or incorrectly calibrated odometers;
(ii) Distance according to recorded routes is not comparable to map distance;
(iii) Obviously estimated or rounded distance;
(iv) Reporting distance traveled in miles on trip records but not converting to kilometers for reporting purposes and vice-versa;
(v) The registrant and auditor may be using different distance software programs.

As indicated in the following table, the results from four (4) major software programs reflect differences, even in the "through" jurisdictions in some instances. "Through" jurisdictions are those jurisdictions the carrier must go through between load points. It is generally expected that the load / unload jurisdictions may have variances, but that the "through" jurisdictions should be constant; however, the auditor may find differences if they are using different software or a different version of the same software used by the carrier. For this reason, auditors should be mindful of making adjustments based solely on differences between software programs.

**Distance Software Comparison**: Sacramento, CA / El Paso, TX / Thomasville, GA

| Jurisdiction | #1 | #2 | #3 | #4 |
|---|---|---|---|---|
| AL | 66 | 67 | 66 | 66 |
| AZ | 392 | 393 | 391 | 392 |
| CA | 609 | 618 | 610 | 609 |
| FL | 216 | 219 | 216 | 217 |
| GA | 17 | 15 | 16 | 16 |
| LA | 251 | 253 | 250 | 251 |
| MS | 77 | 76 | 77 | 77 |
| NM | 164 | 164 | 164 | 164 |
| TX | 878 | 882 | 876 | 882 |
| **Total** | **2,670** | **2,687** | **2,666** | **2,674** |

However, if the differences are the result of testing manual records against distance software, then the minimum reflected by the software in the "through" jurisdictions should prevail.

When the audited distance for an individual jurisdiction is different from the distance recorded on the trip record, the auditor needs to consider why. If less, perhaps the registrant dropped or picked up additional loads. If greater, perhaps the registrant took a shorter route within the

jurisdiction. It may not be possible to determine this from the trip record, but the auditor should not automatically accept the software results without some form of confirmation. If all facts support the audited distance, inequities in the system may indicate total distance is not being captured; therefore, adjustments are warranted.

If the test results in numerous errors and irregularities, the auditor might consider expanding the sample or testing a second sample if there is doubt about the sample being representative of the population.

If the test does not reveal any material differences, and the sample was representative of the population, the auditor can place reliance on the registrant's distance as recorded on the trip records.

In some cases, the records may prove adequate for audit; however, the auditor may determine a portion of the records is absent. See “Audit Results” (F(1)(b)) for further discussion.

### 4. Tracing Trip Records to the Recaps

It is required that the auditor trace a sample of the trip records for a minimum of three representative months back to the registrant's monthly and quarterly recaps (if available) . If the test reveals any major discrepancies, a more thorough, or possibly a complete audit of the registrant's distance records for the 12-month period (or actual months of operation if less than 12), should be conducted.

### 5. Testing the Accuracy of the Registrant's Recaps/Schedules

When summaries/recaps are provided, the auditor should reconcile them if possible (i.e., if monthly recaps are available, they should agree with the respective quarterly recaps, etc.).If reconciliation is not possible, the auditor should determine from the source documents which summaries/recaps are accurate (if any). When available and the total jurisdictional distance does not agree with the reported distance, the summary distance (if accurate) should be used as the basis for the application of any applicable error factors/rates rather than the reported distance.

At this point, the auditor should adjust the reported distance to match the summary distance. This could be done using isolated errors or simply modifying the reported distance. This process is necessary in order to project the error factor/rate (if applicable) to the proper basis.

### 6. Relevance and Frequency of Recap Differences

One of the main functions of the audit will be to determine the relevance and frequency (isolated or recurring) of the differences, and to decide if the application of changes to a registrant's system as a whole is warranted.

Several factors could cause differences between the registrant’s summaries/recaps and the audited distance. These differences might include:

a) Information not properly transcribed from trip records to recaps;
b) Clerical or transposition errors;
c) Distance given to a jurisdiction with similar abbreviation;
d) Non-IRP vehicles are included;
e) Estimating the reported distance.

If the test results in numerous errors and irregularities, the auditor might consider expanding the sample or testing a second sample if there is doubt about the sample being representative of the population. If the test does not reveal any material differences, and the sample was

representative of the population, the auditor can place reliance on the registrant's summary/recap distance.

### 7. Odometer Readings

If a registrant uses odometer readings as the source for determining distance, and the trip records have been tested and proven accurate, the auditor may consider obtaining beginning and ending odometer readings for the entire fleet, to verify that the total distance accrued was captured. Auditors should be aware that odometer readings may be corroborated by other documents (i.e., maintenance records, fuel records, annual safety inspections, etc.).

### 8. IFTA vs. IRP Distance

Comparison of the reported IRP total distance to the reported IFTA total distance is a valid test when the **fleets are common**. In such cases, in the absence of fleet summaries, the IFTA returns may also serve in the capacity of quarterly summaries. Total fleet distance can also be calculated from the odometer readings and compared to the total distance used in the IFTA distance calculations.

Other reports or records from jurisdictions with weight distance returns or for non-IFTA jurisdictions may be a source of information for the auditor.

### 9. New Operations/ Average Per Vehicle Distance

For first time operations, when a registrant files an apportioned registration application for a fleet based solely on *average per vehicle distance* (APVD), that distance may not be audited. The registrant will be subject to audit on any actual distance traveled for the second registration year. However, if during the course of an audit, it is discovered that actual distance from apportioned operations was traveled where APVD was used, the auditor must convert the APVD distance to actual, to ensure proper fee payment (APM 504).

If a new fleet is a result of combining or eliminating fleets, those combined or eliminated fleets shall be subject to audit under normal audit criteria. If a new fleet is composed primarily of previously apportioned vehicles over which the registrant exercised control, and those vehicles will be operating in a similar capacity, the actual operations of those vehicles should be used on the initial application.

### 10. Change of Operation (IRP 420(b))

There are situations when a new fleet is composed entirely of one or more vehicles that the owner removed from a leased operation where the lessee reported the activity, to a fleet in the name of the owner. When the operations will be consistent with those while under the former lease, the distance accumulated during the reporting period must be used for the new fleet.

### 11. New Registrants

New registrants should be contacted as soon as possible after the application is received in order to determine if proper records are being maintained and to give guidance on maintaining proper records. Implementation of a Records Review program in accordance with APM Article 7 is one means of accomplishing this objective.

### 12. Distance Adjustments

On the surface, distance adjustments appear to be easy to determine. However, in companies that do not use traditional trip records in their distance reporting system, verifying the reported distance, let alone calculating the adjustment, can be difficult. For example, if a registrant used bills of lading, the auditor must be able to determine when multiple loads were secured and in what order the drops were made. If the records are limited to dispatch (pick-up/drop-only),

other records (i.e., fuel stops) are needed to ensure the correct route was captured.

After the tests are completed, the errors should be analyzed before computing the jurisdictional distance adjustment factors (error factor/rate). When making a projection, the auditor must determine the best method for applying the sample period adjustment factors to the entire population. Analyzing the errors provides the means of making such a projection, which might be more than a mere mathematical procedure.

When applying an audit adjustment factor, the auditor must properly account for exceptions in the adjustment. The following are examples of exceptions:

a) A vehicle with poor reporting results stopped running during the reporting period. Break the sample into two parts and look at the effect of both:

   - Including the vehicle in the period
   - Excluding the vehicle from the period

b) Unusual clerical error - correct independently instead of including in the error adjustment factor.

c) If an error was found and corrected in a subsequent period by the registrant, this would have an effect on the periods in which the error adjustment factor would be applied.

d) If the reason for an error is known, and the error can be easily calculated, the sample should not be used for error projection purposes. For instance, if the registrant missed local distance, and the distance can be calculated, a separate error rate/adjustment is needed.

e) While auditing trip records, if the audited distance is different than the distance recorded by the registrant, the auditor should discuss the difference with the registrant, who may have an explanation.

   If a registrant traveled across a jurisdiction and made no stops, the distance recorded for that jurisdiction should be at least the minimum audit distance for the particular route. As mentioned previously, care should be taken here since distance software programs and each road atlas may reflect varying jurisdictional distance.

f) When the registrant reports distance in excess of the minimum for a trip, the auditor will accept this distance as reported unless it is completely out of line with the trip route. Overstatements are accepted because often only the driver really knows every side route taken.

g) Omitted distance for trips are picked up in an audit. The auditor should check the adjoining periods to ensure that the trip was not reported.

Complications may result from poor internal controls, insufficient records or sample sizes, or registrant complexities, such as record keeping systems, lease vehicles and different fleets in different locations. Certain complications can be resolved by treating the sampled period as an "exception period," which means treating those findings separately from the remaining periods and selecting another sample period.

### 13. Isolated Errors

Certain distance errors should be treated as isolated and/or non-recurring. These errors should not be projected and should be corrected outside the error factor calculation. When the error can be appropriately corrected, rather than excluding the jurisdiction from the projection phase, the error should be corrected prior to the calculation of the affected jurisdiction's error factor.

### 14. Sampling vs. Full Audit of Records (APM 503)

If sampling procedures satisfy the auditor that distance has been properly reported, the schedule of distance may be prepared. If the testing reveals major discrepancies, a more thorough examination will be necessary. This could include expansion to another sample period, or a complete audit of the registrant's distance records for the 12-month period, or actual months of operation if less than 12. The auditor must be satisfied that the registrant has not incurred significant unreported distance through failure to comply with laws and regulations.

*The most important thing for the auditor to remember when conducting an audit is that the audit is being conducted on behalf of all member jurisdictions. A registrant may have reported all the distance operated, but the auditor must ensure that the distance is apportioned to the jurisdictions properly. It is for this reason that individual trip testing is often an extremely important part of the sampling process.*

### 15. Determining Audited Distance

After auditing the trip records for the sample period, the auditor now totals the audited and recap/summary distance for each jurisdiction for the sample. The error factor is the difference in the sampled audited distance and the corresponding recap/summary distance. To determine the jurisdictional **error factors**, either subtract audited from summary/recap and divide the difference by the summary/recap distance (table 1) or divide the audited by the summary/recap distance (table 2). Application of the results will be dependent on the method utilized; however, the resulting audited fleet distance will be the same.

Once a jurisdictional error factor is determined, it is applied to recap/summary distance per month or quarter to calculate the audited distance that will be used in the apportioned percentage calculations. Note: Error factors should only be calculated against the reported distance when summaries/recaps are either unavailable or have proved inaccurate. The tables below illustrate error factor calculations:

In this table, audited fleet distance would be: (recap distance x adjustment factor) + recap distance.

| #101 | Recap | Audited | Difference Error | Factor |
|---|---|---|---|---|
| AZ | 345 | 370 | 25 | 0.072 |
| NV | 400 | 300 | (100) | (0.250) |
| UT | 285 | 400 | 115 | 0.404 |
| CO | 300 | 345 | 45 | 0.150 |
| NE | 80 | 80 | 0 | 0 |
| SC | 150 | 175 | 25 | 0.167 |

In this table, audited fleet distance would be recap distance x adjustment factor.

| #101 | Audited | Recap | Factor |
|---|---|---|---|
| AZ | 370 | 345 | 1.072 |
| NV | 300 | 400 | 0.750 |
| UT | 400 | 285 | 1.404 |
| CO | 345 | 300 | 1.150 |
| NE | 80 | 80 | 1.000 |
| SC | 175 | 150 | 1.167 |

In these examples only one (1) vehicle is shown. In an audit, the total of all audited vehicles would be included to calculate an error factor for each jurisdiction based on the sample results. In reviewing the error factors, the auditor should determine if there are any errors that should not be included in the error factor calculation. For example, assume that in the tables above the only distance for the jurisdiction of Utah was the distance generated by vehicle 101 with an error factor of 1.404. The auditor needs to review that trip and determine if the discrepancy is the result of a non-recurring error (i.e., perhaps a recording error by the driver). An auditor must exercise due care, which often requires additional research in reviewing error factor calculations instead of automatically applying a 1.404 error factor to all reported distance for the jurisdiction.

### 16. Auditing GPS Records (IRP 1010(b))

As technology increases and costs decrease, more and more carriers are moving toward satellite and other tracking devices. This includes technology like geofencing, electronic onboard recording (EOBR) devices, engine control modules (ECM), etc. See Appendix 5 for best practices and examples related to auditing GPS records.

## E. Equipment Verification (APM 501(c))

### 1. Determining the Correct Time Period

The registrant is assessed registration fees based on the number of vehicles and the distance percentage relative to each apportioned jurisdiction as determined by the reported fleet distance for the applicable reporting period. The reporting period is always July – June, but the years are determined according to the renewal month.

The calculation of the registration fees to be paid to the various member jurisdictions is determined by the distance driven by the registrant during the applicable reporting period. As previously discussed, due to the difference in time frames – registration vs. reporting period – the application for the registration year under audit will not always reflect the same vehicles that accumulated the distance during the reporting period, which is why the equipment list is both an important and required work paper.

## 2. Verifying Equipment List

a) Verify the entire equipment list against the registrant's recaps to determine if they contain the same vehicles. This step is vital to conducting the audit, as it is the foundation for testing distance figures. The auditor must know which vehicles were registered during the reporting period in order to validate the completeness of the fleet records.
b) Verify the vehicle number, year and make of the vehicle, VIN and date added/deleted to the fleet, at a minimum. Other information such as the weight class, owner's name, registration number, etc. may be included if desired.
c) The equipment list must be part of the audit file.

## 3. Interjurisdiction vs. Intrajurisdiction Operations

The next step is to check for intrajurisdictional vehicles that are registered under the IRP. The purpose of this is to determine if the registrant has IRP vehicles that did not travel in more than one member jurisdiction for a complete registration year and six additional months, bringing into question the intent to travel interjurisdictionally by those vehicles.

Article II, of the IRP defines "Apportionable Vehicle" as: "...Any power unit that is used or **intended** for use in two or more member jurisdictions..."

*The IRP does not define "intended for use" but does give a guideline of 18 months. If a vehicle remains within the same jurisdiction for that time frame – whether the base or another jurisdiction – and the registrant is unable to provide proof to the base jurisdiction's satisfaction that the vehicle was intended to operate interjurisdictionally, the distance operated by that vehicle must be subtracted from the jurisdiction's distance total and the fleet's distance total. The vehicle should then be assessed 100% fees for the appropriate jurisdiction for the applicable time period the vehicle was deemed "not intended for use." The distance percentages for the fleet would then be recalculated, and fees would either be assessed or refunded, depending on the adjustment to each jurisdiction's distance percentage.*

## 4. Distance Procedures

Often the audit reveals instances where actual distance was reported in a member jurisdiction where the carrier did not actually travel during the reporting period. In such a case, the auditor will remove that distance. Conversely, if the registrant does not report distance in a jurisdiction in which they travelled, that distance will be added.

Occasionally, the registrant will mistakenly report the actual distance accrued in a jurisdiction incorrectly. For example, Mississippi (MS) distance erroneously reported to Michigan (MI). In such a case, the auditor will assign the distance correctly – removing it from the incorrect jurisdiction – and recalculate fees in accordance with Plan Section 400.

Finally, if it is determined through audit that distance was accrued in an unreported jurisdiction, the auditor must first determine whether the carrier was operating under proper credentials or a trip permit at the time the distance was accrued. This requires the auditor to look back at the registration period being operated under during the reporting period in question. If the registrant was not apportioned at that time and cannot provide a trip permit, fees must be calculated.

## F. Audit Results

This section will deal with a variety of issues encountered during the audit finalization process. Some of the issues will include:

- A method of projecting findings from a sample over a full audit period;
- The types of discrepancies that might warrant adjustments;
- Handling of incomplete or inadequate registrant records;
- Steps in concluding the field work, closing out the audit, and documenting audit results.

### 1. Determining Results

An audit can result in no adjustments, changes that generate a net assessment or credit, or an inadequate records assessment.

**Adequate**– Records must meet the two conditions of sufficiency and appropriateness; there must be enough records to substantially cover the operations of the registrant's fleet, and the records must contain the kind of information an auditor needs in order to audit the records for purposes of the Plan. If records are presented in a format or in a manner in which the base jurisdiction cannot audit them, they have not been made available as required. Even in the case of adequate records, it is important to note that assessments/credits are common. The following audits fall under the adequate rating.

#### No Change Audit

A "no change" audit means that the audit findings did not warrant adjustment of the distance reported on the registrant's application.

#### Change Audit

There are several types of problems that can be uncovered during the audit, which could result in an assessment or refund to the registrant. Following are some common examples:

i. Missing records on various vehicles – it is the responsibility of the registrant to maintain accurate records; however, there will be situations when vehicle records are completely missing and/or locations or odometer gaps support unaccounted for travel. The auditor must make adjustments for these situations, being mindful that the auditor's duty is to conduct an audit, not be the registrant's accountant.

When the majority of the records are deemed adequate, the following illustrates appropriate methodology if records are missing for a period of time. Using the equipment list prepared for the audit, determine the total number of months of records that should have been provided for each vehicle in the fleet. A method of averaging the distance per month/vehicle could be used to determine distance for vehicles without records (See Appendix 4). Next, recalculate total distance and jurisdictional percentages.

When gaps are uncovered between trips (odometer/location variances between successive trips), the distance relative to connecting trips is to be calculated if there is sufficient detail. The available trip data, including fuel purchases, time lapse, odometer data, etc. must be considered when determining whether distance should be allocated to specific jurisdictions

or among all jurisdictions. The auditor should always document the reason or methodology for the approach that was utilized.

APM 503(c) states: "If an auditor is unable to determine a method of assigning a portion of the unreported distance traveled by a Registrant, such distance should be prorated based on the audited distance in each Member Jurisdiction."

ii. Incorrect distance reporting – there will be cases when the registrant has misreported distance, either through omission or mathematical and/or clerical errors. In either case, the distance should be adjusted, new percentages calculated, and new fees/credits determined.

iii. Failure to satisfy "intent" to operate interjurisdictionally – when a vehicle's distance records indicate that the vehicle does not satisfy the jurisdiction's definition of "intent," (discussed in VI(E)(3)) it will be necessary to adjust the application(s) being audited. The following are the steps involved in making the adjustment:

- Determine which vehicles are involved.
- Subtract the distance generated by those vehicles from the base jurisdiction's distance and the total distance on the current application.
- Recalculate the fees for the application.
- Adjust the registration fees of the vehicles removed from the apportioned fleet to 100 percent of the base fees for the respective registration year.

There may be cases where the vehicle traveled in two or more jurisdictions in subsequent reporting periods. Ensure that the vehicles remained apportioned during the years they accumulated distance in member jurisdictions.

**Inadequate –** If the registrant fails or refuses to make records available for audit, or if the records made available are, as a whole, so inadequate they cannot be audited, an inadequate assessment must be imposed.

*An inadequate assessment is not to be imposed where records made available (even when they are of poor or inconsistent quality) can be audited or when records pertaining to some vehicles are lacking or inadequate, but audit of the fleet as a whole can proceed. Adequate does not mean perfect or that records include every required element. Adequate means that the auditor has enough of the necessary information to validate the activity of the carrier during the reporting period.*

*On the other hand, if the auditor spends hours, days or even weeks, and when they finish, they merely have a guess of the carrier's operations, that time was wasted. In such a case, the auditor should have analyzed the information in comparison to the operations and issued an inadequate assessment.*

**Inadequate Records Assessment (IRP 1015)**

When the auditor has determined the information is inadequate, the appropriate assessment percentage will be applied (see VI(B)(4)).

## 2. Exit/Closing Conference and Audit Finalization (APM 404)

A documented exit/closing conference shall be held with the registrant to review the audit findings, including applicable penalty and interest, recommendations for improvement, rights of appeal and to whom the audit report should be addressed. If it is not feasible to hold the conference, sufficient reasons for it not taking place must be documented in the audit file.

As part of the conference, the auditor should summarize any findings, highlighting both strong and weak areas of the registrant's record keeping or distance accounting system. The auditor should inform the registrant of problem areas as the audit progresses. There should not be any surprises or controversy at this stage of the audit because the auditor has faithfully maintained open communications with the registrant throughout the process, when possible. When discussing dollar amounts for audits that have not yet been finalized, the auditor should inform the registrant that the results are subject to review and the amounts may change.

During the conference, a few of the general areas that should be covered include:

- An overview of the total audit;
- Specific problem areas, prioritized as to significance;
- Recommendations for record keeping improvements;
- Audit findings;
- Payment/billing of the audit;
- Initiation of the appeal process.

It is recommended that the conference be attended by the registrant’s representative(s) with the authority to implement the recommended changes.

The final decision regarding attendance at the conference lies with the registrant; and that decision can be based on such factors as registrant perception of what the dollar value of the findings will be. However, a suggestion could be made to the registrant that work level employees familiar with specific system problems be involved in the exit/closing conference. The auditor must be prepared for varying numbers and different levels of people at the meeting. Some general suggestions for preparing for and conducting the final review with the registrant are:

a) Schedule the review of the audit results as far in advance as possible to allow maximum participation;
b) Have a presentation outline prepared to cover important areas;
c) Make extra copies of important documents and calculations so all in attendance will be able to follow the discussion;
d) Discuss strengths and weaknesses in the system;
e) If the final report is not being presented at this time, let the registrant know what to expect in the final audit report, including hints on how to interpret potentially confusing documents, and identification of documents that may be most applicable to the registrant's results;
f) Explain due process and outline the appeal process;
g) Ensure the registrant understands how the audit was performed; for example, how samples were chosen (should have been discussed early on) and how results were applied;

h) Listen to the registrant's questions and comments to gauge how effectively and clearly the auditor has "gotten the point across";
i) Be open to additional evidence and information provided by the registrant during the review;
j) When possible, provide the applicable jurisdictional statutes/regulations, IRP article and section references, etc., on which the findings are based. It's important the registrant knows they were treated fairly, and that the laws and rules - not the auditor(s) - determine record keeping requirements.

## G. Audit Report and Audit File (APM 601)

### 1. Audit Report

After completing the audit work, the auditor must prepare an audit report to describe and explain the results; this report will be provided to both the registrant and the affected jurisdictions. An affected jurisdiction is any jurisdiction where the registrant paid, or should have paid, apportionable fees. A billing summary will also be issued which signifies the beginning of the registrant's review/appeal period, which must be thirty (30) days at a minimum. Affected jurisdictions are allowed forty-five (45) days to review and the Plan (1055) indicates the audit report shall be submitted to both the registrant and affected jurisdictions at the same time. Typically, the report will be submitted to the affected jurisdictions via upload through the IRP Audit Exchange at https://www.irpaudits.org/

The audit report shall contain the following, at a minimum:

a) Name of base jurisdiction;
b) Auditor name;
c) Date report issued;
d) Registrant's name, address and phone;
e) Registrant's representative;
f) Account and fleet number;
g) USDOT number (where required);
h) Registration year(s) and reporting period's audited;
i) Number of apportioned vehicles;
j) Summary of registrant's business operations;
k) Any unusual trends or variances.

**Evaluation of Internal Controls:** Summarize the evaluation of the registrant's internal controls indicating their reliability along with any strengths / weaknesses. Document any changes in the accounting procedures or system during the audit period.

**Opening Conference:** Provide the date and persons attending.

**Sampling Methodology:** Describe the methodology and the periods / number of vehicles selected. If sampling was not performed, indicate why.

**Distance Examination:**

(i) Identify the source documents used by the registrant, and the information reflected therein;
(ii) Describe the audit procedures used to verify the reported distance;
(iii) Describe the methodology used to allocate any unreported distance ;

(iv) Note any discrepancies between monthly or quarterly summaries and the registrant's application;
(v) Identify any vehicles removed from the fleet and assessed full plate fees;
(vi) Note whether the records are adequate or inadequate.

**Closing Conference and Recommendations:** Provide the date and persons attending. Document any recommendations made to registrant.

**Summary:** A narrative of the audit procedures, findings and any additional information deemed necessary.

**Billing Summary (penalty and/or interest charged by a jurisdiction will also be reflected):**

(i) Reported distance traveled, percentage and fees by jurisdiction;
(ii) Audited distance traveled, percentage and fees by jurisdiction;
(iii) Change in apportionment percentages by jurisdiction;
(iv) Net fees due by jurisdiction;
(v) Net fees owed by or due to the registrant.

## 2. Working Papers (APM 206)

The function of the auditor's working papers is to support the findings and recommendations and provide evidence of auditing standards and adherence to the audit requirements under IRP.

A knowledgeable reader should be able to understand them without extensive oral explanations from the auditor. The audit file should contain documentation covering:

- The review and evaluation of the registrant's system of internal control;
- The audit procedures followed;
- The evidence obtained and scope of testing;
- The support for the auditor's conclusion(s) and the basis for any monetary changes, if applicable.

The content of the working papers depends on the situation encountered and the type of audit.

Following is a list of items that would generally be included in the audit file:

(i) Registrant information (i.e., account attributes);
(ii) Audit program;
(iii) Procedures performed and their scope, such as period(s) tested;
(iv) Auditor's evaluation of the registrant's records (i.e., adequate/inadequate);
(v) Recap or summary schedule;
(vi) All registrant correspondence;
(vii) Registrant contact log (pre, during and post);
(viii) Vehicle/equipment list;
(ix) Internal control evaluation, questionnaire, etc;
(x) Pre-audit questionnaire (if used);
(xi) Sample source documents (include a mix of documents that support audit conclusions, exceptions, recommendations, etc., to include any that are improperly completed);
(xii) IRP applications;
(xiii) Sample projections;
(xiv) Opening/Closing conference notes.

**Note: Even on a "no change audit", supporting documentation is required.**

## 3. General Working Paper Preparation

Working papers must be retained to support the audit findings. Any pending matters addressed in the working papers should be resolved. Their arrangement will vary depending upon the needs of a particular audit. Working papers should be arranged according to the base jurisdiction's guidelines. The following information is provided as recommendations in preparing working papers.

### (a) Headings

Each working paper should be properly identified by its heading. The heading should include the name of the registrant, a description of the content or purpose of the working paper and other information the auditor deems necessary. All working papers should be cross-referenced, where applicable and should flow naturally.

### (b) Signing and Dating

Working papers may be signed (or initialed) and dated by the preparer if required by the base jurisdiction. Working papers may be dated with the date of completion of the underlying work.

### (c) Working Paper Comments and Tick Marks

The working papers should contain a clear record of the scope of the audit, the conclusions reached, and an indication of the sources of information cited. Working paper comments vary from a simple statement of fact to rather lengthy discussions.

No rules can be made to cover such widely varying situations, but all comments should comply with the following general principles:

(i) They must be clear, concise and understandable.
(ii) They must indicate the sources of any factual information and the names and positions of any employees whose opinions are quoted.
(iii) They must reach a conclusion - under no circumstances should open questions remain in the papers, either in the form of a "?" on the schedule, or of a note which leaves the writer's opinion to the reader's imagination.
(iv) Notes appearing in the working papers must not be inconsistent with each other. Any inconsistencies noted upon review must be reconciled and corrected or amplified appropriately.

### (d) Legibility

It is essential that working papers are legible (including size, fonts, layout, formatting, etc.) since they support the audit findings.

### (e) Registrant Provided Information

Copies of analyses and schedules prepared or provided by registrants and used in conducting the audit should be included. Such working papers should bear an indication of

the preparer. When working directly with registrant records, only summary schedules, statements of work done, clear identification of items selected for testing, unusual items noted, and conclusions reached need to be documented in the working papers.

**(f) Unnecessary Working Papers and Information**

Auditors should work smarter not harder. Creating a working paper that merely duplicates a document provided by the registrant is unnecessary and redundant. However, the auditor's validation of that document should be reflected in the audit file (i.e., auditor applied tick marks, initials, etc. on the original document copied/scanned and included in the file). The extent of test-checks will depend on the nature of the information and the appraisal of the system of internal control. Advantages of using copies of registrant's records include:

(i) Eliminates writing by hand/recreating information that is already validated;
(ii) Helps defend;
(iii) Reduces clerical error;
(iv) Easier to review.

**(g) Record of Items Tested**

It is necessary to document those items needed to reference the test information, such as: the truck number, period tested and the procedures performed, trailer number, trip numbers, routes traveled, etc. Working papers must provide a clear trail to the items selected for testing. This can be accomplished in a number of ways, and techniques will vary by audit and registrant.

**4. Review of the Audit (APM 203)**

A supervisory review of the audit report and supporting schedules is required and must be documented. The purpose of this review is to determine whether:

a) The audit was performed in accordance with IRP and jurisdictional standards;
b) The report is mathematically and grammatically correct;
c) The evidence supports the conclusions drawn and assessments made;
d) The auditor's judgments, methods, and approach were appropriate;
e) The audit is defensible and there are no unanswered questions, ambiguous conclusions or inconsistent evaluations.

## VII. NETTING OF AUDIT ADJUSTMENTS (IRP 1050)

If audit adjustments are made to the registrant's apportioned fees, those adjustments will be netted. In other words, overpayments and underpayments among jurisdictions will culminate in a single amount due or refund/credit. Only the net amount may be collected from, or refunded to, the registrant.

Collections of underpayments are governed by the laws and procedures of the base jurisdiction. If the base jurisdiction determines a net underpayment to be uncollectible, any credits due the registrant, plus any partial payments made, must be used to offset fees due to jurisdictions on a pro-rata basis. Whether the audit findings indicate a net credit or net liability, the base jurisdiction must transmit the fee changes to the affected jurisdictions within 30 calendar days following the issuance of the refund (or credit) or receipt of the payment.

## VIII. RECORDS REVIEWS (APM Article 7)

The implementation of a Records Review Program is discretionary to the base jurisdiction. It serves two main purposes:

1) It gives the jurisdiction a mechanism for reviewing a registrant's distance accounting system for compliance that is limited in scope and does not impact fees, regardless of the nature of the findings;
2) It enhances audit production – three records reviews equate to one audit, and such reviews may account for up to 25% of a jurisdiction's audit requirement.

Records reviews may be performed on new or established accounts. They educate new registrants on proper record keeping requirements and may serve to confirm whether established, or previously audited, registrants are currently compliant. When conducting a records review, the jurisdiction's focus is limited to assessing and documenting the internal controls and compliance of the system. Jurisdictions that opt to implement such reviews must adhere to established guidelines, some of which are similar to audit. The process must:

1) Support compliance with Articles 2 and 3 of the APM;
2) Document the contents of the source documents and the source used by the registrant for deriving the reported distance;
3) Assess and document internal controls;
4) Determine whether the records are adequate for the review period only, noting any deficiencies;
5) Culminate in a written report to the registrant.

It is up to the jurisdiction to determine the amount of records and level of detail necessary to adhere to the above requirements. As with audits, **all contacts with the registrant must be documented**. In the case of non-compliance issues, follow-up with the registrant is recommended.

Unlike audits, records reviews are not disseminated to the member jurisdictions; however, they must be retained for peer review purposes. Jurisdictions that conduct records reviews will report them on the Annual Report of Plan Activity.

If a records review supports an inadequate rating for the review period, and a subsequent audit determines the records still to be inadequate, the initial assessment percentage (20%) will be applied. Since records reviews do not result in fee changes, they do not count toward the graduated assessment.

*A records review should not be utilized to target non-compliant carriers. If a records review determines inadequacies in a registrant's system, time should be allowed for the registrant to correct the inadequacies before being audited. The audit period should exclude any periods determined deficient during the records review process.*

Following are some procedural guidelines that may assist jurisdictions in the conduct of records reviews.

### 1. Pre-Review Procedures

The purpose of the pre-review is to familiarize the auditor with the registrant's business and reported information. Review the account for items such as the number of fleets, registered

vehicles and whether actual or average-per-vehicle distance was reported for the registration year.

**2. Registrant Contact**

The base jurisdiction determines how much advance notice to give the registrant. It may be 7 days, 10 days, 30 days or any number in between – unlike audits, there is no required time frame. If the initial contact is by telephone, a confirmation letter and list of required records should be sent after. If originally contacted by written notification, a telephone interview with the registrant may assist in understanding their distance accounting system. Remember, as with audits, all contacts – oral, written, email, etc. – must be documented. The review period is also up to the base jurisdiction; however, to ensure there is enough data to validate location and odometer continuity, it is suggested at least one full month be requested.

**3. Review Procedures**

A) Document the distance accounting system used by the registrant. This may be accomplished using a checklist, a written narrative, a flow chart, etc.

   i) How does the information flow from the source documents to the summaries to the renewal (reviews may be prior to the initial renewal)?
   ii) What source documents are used to capture the distance information?
   iii) What required elements are recorded?
   iv) How is the jurisdictional distance calculated (i.e., odometer readings, maps, computer software, GPS, etc.)?

B) Assess and document the internal controls. Although detailed work papers such as spread sheets reflecting scheduled data may be prepared, they are not required. An alternative option is to use a calculator to verify amounts, make notations or tic marks directly on the records (or copies of the records) and scan them as a work paper and sample exhibit file. One benefit of that approach is that the registrant gets a true picture of the issues on the records they are actually utilizing.

   i) Does the distance information on the source documents flow correctly to the summaries, if maintained?
   ii) Is the information recorded on the source documents reasonable (i.e., if there is an Iowa destination, make sure there are Iowa miles)?
   iii) Do the odometer readings flow correctly from one source document to the next (beginning readings agree with prior ending readings)?
   iv) Does the sum of the jurisdictions equal the total distance between the beginning and ending odometer readings?

C) Determine and document the adequacy of the records for the review period, identifying specific deficiencies.

   i) Were the distance source documents sufficient and appropriate to comply with the record-keeping requirements?
   ii) Were the internal controls sufficient for reporting the correct distance?
   iii) What were the deficiencies in the distance source documents and/or weaknesses in the internal controls, if any?

**4. Report Preparation**

Some suggestions regarding items to include in the registrant's report are indicated below. Remember, a written report to the registrant is required, but the format utilized is up to the base jurisdiction.

i) General registrant information (i.e., name, account, brief description of operations, etc.)
ii) Objective and scope
iii) Internal controls and any deficiencies
iv) Description of distance accounting system
v) Source documents received and reviewed
vi) Processes used to evaluate the distance accounting system
vii) Findings
viii) Recommendations

Records reviews should not be so laborious they cannot be conducted in a relatively short time, considering it takes three records reviews to count as one audit.

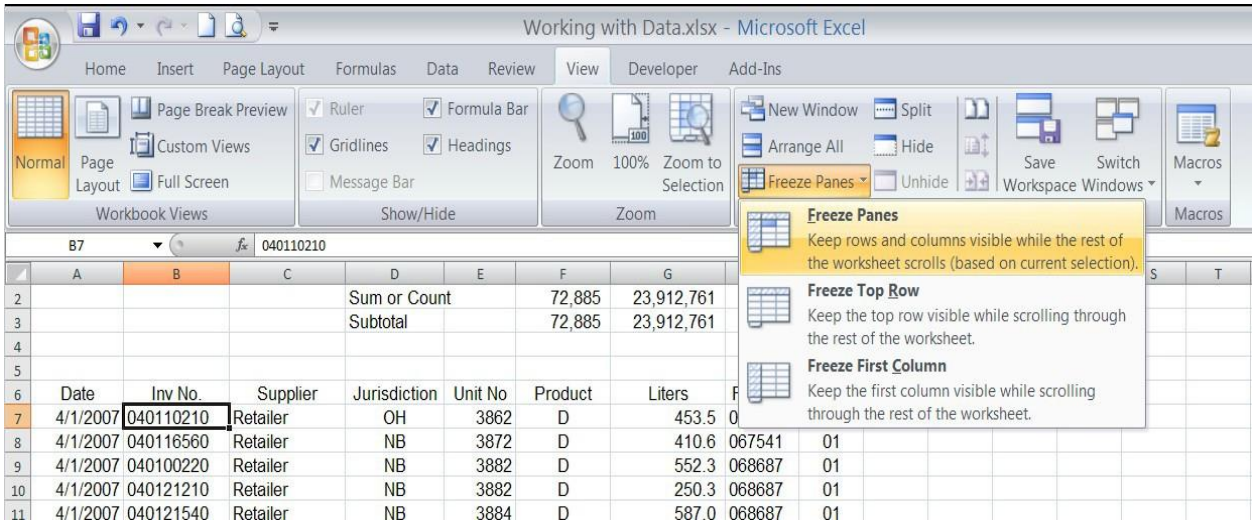
## IX. USING EXCEL FOR AUDITS

The following information may prove useful in setting up worksheets or performing tests during the audit or records review processes.

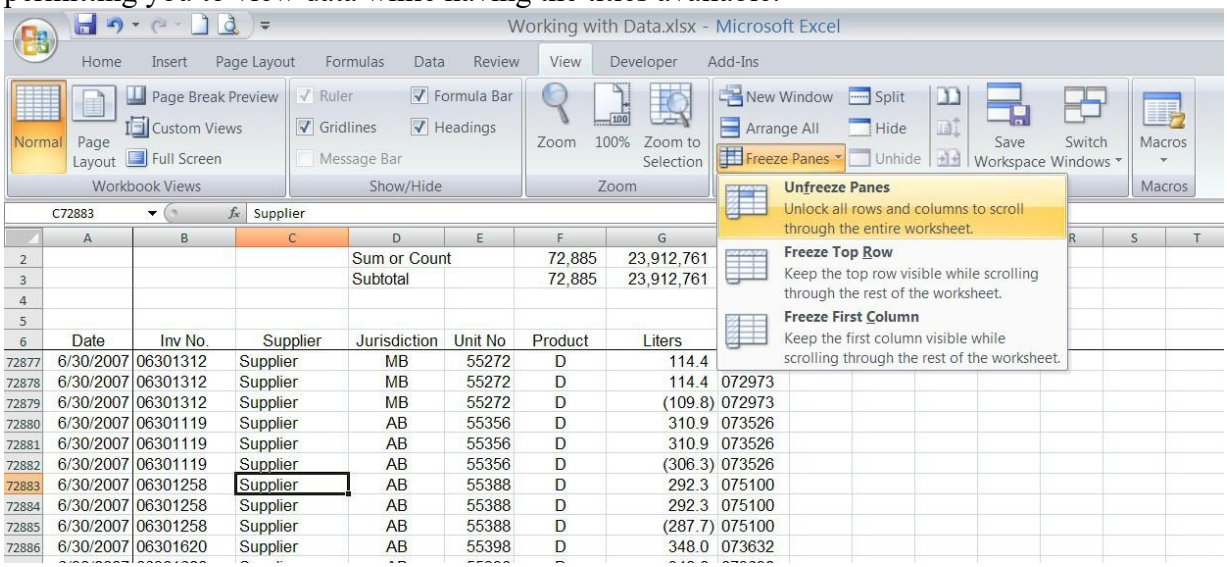
### Working with Data

### A. Freeze Panes

When we have a large data listing, the column heading usually disappears when we view rows further down the list. By freezing the panes (headings), the top rows will remain visible. Before freezing the titles, you need to select a cell under the row you would like to freeze. If you select a column other than column A, all columns to the left of the selected cell will also be frozen. In the example below, the selected cell is B7 and by freezing the titles, rows 2 to 6 and column A are always going to be visible.

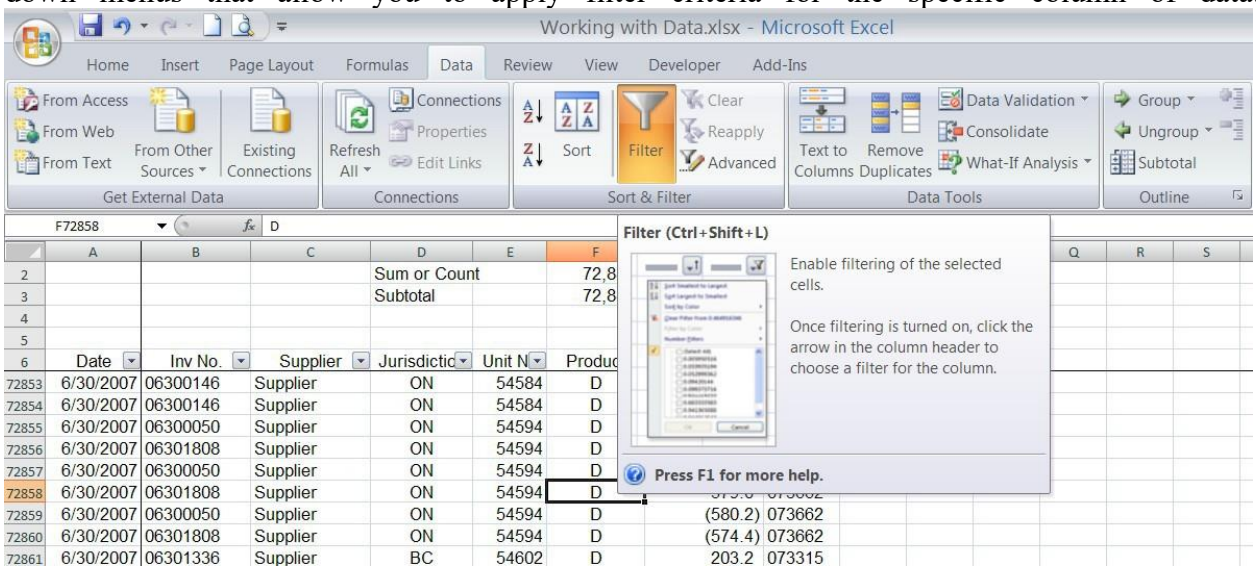


To remove or unfreeze the titles, simply select Unfreeze Panes. The selected cell is not relevant for unfreezing. Notice the line under row 6 and to the right of column A, which indicates where the "freeze panes" was inserted. Also, the example below displays row 72,877 after row 6, permitting you to view data while having the titles available.

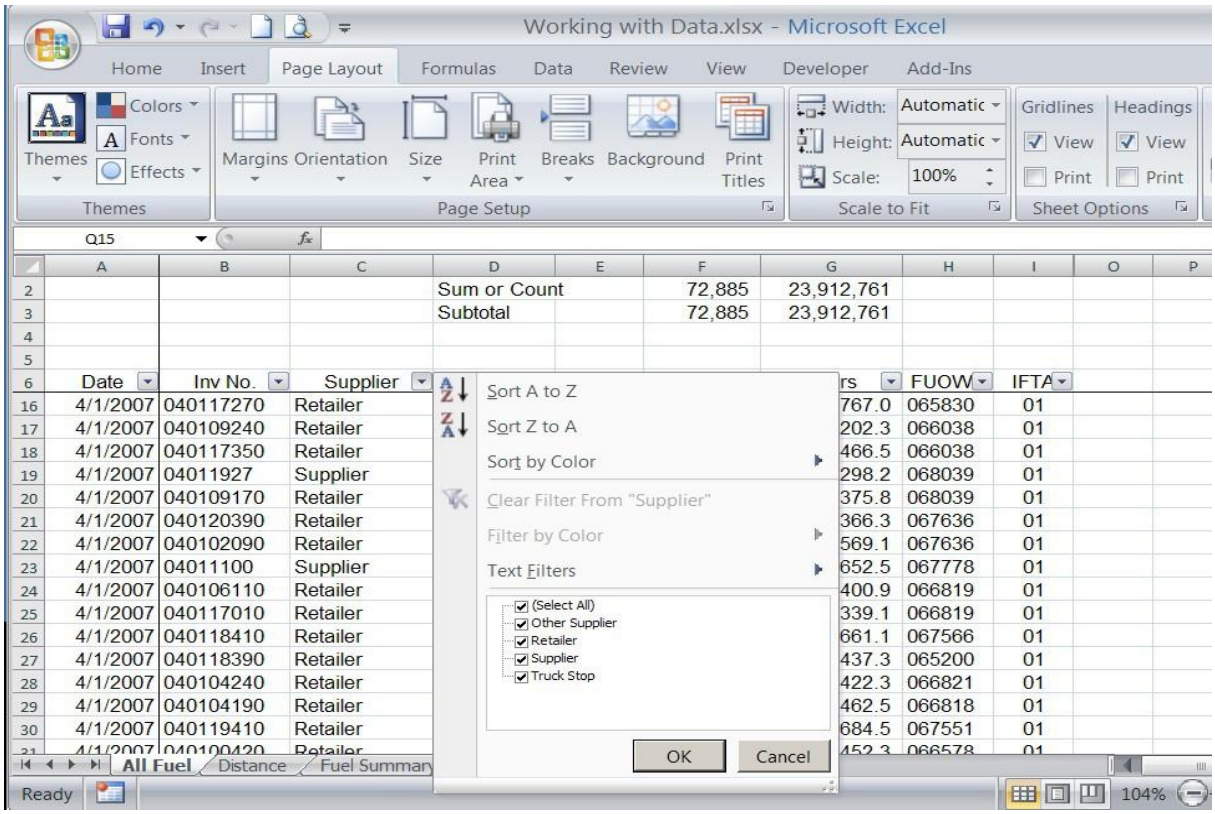



## B. Filters

Excel offers many options to help analyze large data listings and filters is one option that is easy to use. Filtering a list of data will simply hide rows based on the criterion selected. To activate the filters, we need to select a cell which is part of the listing. In the example below cell F72858 is selected. Notice that the titles are still frozen, this has no effect on filters. The little arrows to the right of the column headings indicate that the filters are active. The arrows are drop down menus that allow you to apply filter criteria for the specific column of data.



When a pull-down menu is selected, a sorted list of all data in that column is presented. In the example below there are only four supplier names included in the 72,000 lines of data.




## C. SumIf vs. SumProduct

**SumIf** will add the data of a given range if a defined condition is met, but only one condition can be evaluated.

The **SumProduct** formula can be used like the SumIf formula, but it has an advantage. The SumProduct formula can add a range with multiple conditions. When using SumProduct, be certain to use the same range sizes for each condition. Each condition has to be in parentheses ( ) and separated by an asterisk * (The asterisk represents an AND). After the last condition there needs to be an asterisk followed by the range (same as conditions) to be added.

**=SUMPRODUCT((Condition 1)*(Condition 2)*(Condition 3)*(Range to Add))**

Condition = (Range = Cell Reference) Absolute values ($) should be used when the formula will be copied.

| | A | B | C | D | E | F | G |
|---|---|---|---|---|---|---|---|
| 1 | Date | Inv No. | Description | Liters | | | |
| 2 | 2/1/2003 | 565 | Diesel | 416.0 | | | |
| 3 | 1/15/2003 | 599 | Gas | 421.0 | | | |
| 4 | 1/14/2003 | 590 | Diesel | 421.0 | | | |
| 5 | 2/16/2003 | 611 | Diesel | 425.0 | | | |
| 6 | 1/15/2003 | 600 | Gas | 421.0 | | | |
| 7 | 1/20/2003 | 645 | Gas | 431.0 | | | |
| 8 | 1/18/2003 | 633 | Diesel | 418.0 | | | |
| 9 | 2/17/2003 | 625 | Gas | 410.0 | | | |
| 10 | 1/14/2003 | 592 | Gas | 411.0 | | | |
| 11 | 1/16/2003 | 609 | Diesel | 415.0 | | | |
| 12 | 2/25/2003 | 657 | Diesel | 418.0 | | | |
| 13 | 1/13/2003 | 580 | Diesel | 413.0 | | | |
| 14 | 1/26/2003 | 674 | Gas | 415.0 | | | |
| 15 | 1/18/2003 | 635 | Diesel | 418.0 | | | |
| 16 | 1/30/2003 | 680 | Diesel | 425.0 | | | |
| 17 | 1/26/2003 | 676 | Gas | 431.0 | | | |
| 18 | | | | | | | |
| 19 | | **Total Gas** | | 2,940.0 | =SUMIF(C2:C17,"Gas",D2:D17) | | |
| 20 | | **Total Diesel** | | 3,769.0 | =SUMPRODUCT((C2:C17="Diesel")*(D2:D17)) | | |
| 21 | | | | | | | |
| 22 | | | | | | | |
| 23 | | | | | | | |
| 24 | **Period** | | | **Total** | | | |
| 25 | 1/1/2003 | 1/31/2003 | | 5,040.0 | =SUMPRODUCT(($A$2:$A$17>=A25)*($A$2:$A$17<=B25)*($D$2:$D$17)) | | |
| 26 | 2/1/2003 | 2/28/2003 | | 1,669.0 | | | |
| 27 | | | | | | | |
| 28 | **Period** | | **Product** | **Total** | | | |
| 29 | 1/1/2003 | 1/31/2003 | Gas | 2,530.0 | =SUMPRODUCT(($A$2:$A$17>=A29)*($A$2:$A$17<=B29)*($D$2:$D$17=D29)*($D$2:$D$17)) | | |
| 30 | 1/1/2003 | 1/31/2003 | Diesel | 2,510.0 | | | |

To add a list that matches a certain criteria we can use both SumIf or SumProduct as follow:

To add a list that matches two or more criterias SumIf does not work, we need to use SumProduct as follow:

## D. How to Find Duplicates in a List

To find duplicates in a list, we can use the COUNTIF function; those with values greater than one are duplicates. We should use absolute values for the range, so that when we copy the formula the range does not change. If the list is long, we can use AutoFilter to list all those that have a value greater than one. Another method would be to sort, but care should be taken not to mix the information.

| | A | B | C | D | E | F | G |
|---|---|---|---|---|---|---|---|
| 1 | Date | Inv No. | Description | Liters | | | |
| 2 | 1/1/2003 | 565 | | 416 | | 1 | =COUNTIF($B$2:$B$17,B2) |
| 3 | 1/15/2003 | 599 | | 421 | | 2 | =SUMPRODUCT(($C$15:$C$30=C16)*(1)) |
| 4 | 1/14/2003 | 590 | | 421 | | 1 | |
| 5 | 1/16/2003 | 611 | | 425 | | 1 | |
| 6 | 1/15/2003 | 599 | | 421 | | 2 | |
| 7 | 1/20/2003 | 645 | | 431 | | 1 | |
| 8 | 1/18/2003 | 633 | | 418 | | 2 | |
| 9 | 1/17/2003 | 625 | | 410 | | 1 | |
| 10 | 1/14/2003 | 592 | | 411 | | 1 | |
| 11 | 1/16/2003 | 609 | | 415 | | 1 | |
| 12 | 1/25/2003 | 657 | | 418 | | 1 | |
| 13 | 1/13/2003 | 580 | | 413 | | 1 | |
| 14 | 1/26/2003 | 674 | | 415 | | 1 | |
| 15 | 1/18/2003 | 633 | | 418 | | 2 | |
| 16 | 1/30/2003 | 680 | | 425 | | 1 | |
| 17 | 1/26/2003 | 676 | | 431 | | 1 | |

## E. Linking Horizontal data Vertically or Vice Versa

Have you ever set up a worksheet to have horizontal totals but found you needed to link the data to another worksheet where the information was set up vertically? Here's a way to do that. Go to the area where you need the link and highlight all cells in the range you will be linking to. You will create an array formula, which requires that both worksheets reflect the same number of rows and columns, respectively. So, if your vertical range includes 15 rows and your horizontal range only includes 13 columns, the formula will not work. In this example, we have total jurisdictional distance for the sample quarter in horizontal format, and we want to link it to a worksheet in vertical format where we will calculate jurisdictional adjustment factors.

| AL | AR | AZ | CA | CO | CT | DC | DE | FL | GA | IA | IL | IN | KS | KY | LA |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 20,348 | 4,286 | 1,121 | 1,291 | 836 | 339 | 11 | 130 | 3,355 | 13,541 | 633 | 1,456 | 2,222 | 0 | 1,628 | 8,428 |

| Jurisdiction | Audited Distance |
|---|---|
| AL | ınspose( |
| AR | |
| AZ | |
| CA | |
| CO | |
| CT | |
| DC | |
| DE | |
| FL | |
| GA | |
| IA | |
| IL | |
| IN | |
| KS | |
| KY | |
| LA | |

Once the entire range is highlighted, type in the following formula: =transpose(
You will note that Excel will reflect (array) within ( ) as instruction to go get the needed data from the other worksheet. Highlight the same range on the other worksheet, close the parentheses and hit Ctrl/Shift/Enter simultaneously. The result will be as indicated below. Are there any drawbacks? Once an array is created, you cannot manipulate or delete data within it, or delete rows (or columns if going from vertical to horizontal) impacted by the array. You can, however, make adjustments on the worksheet where the link began, although those changes may negatively impact the array.

| Jurisdiction | Audited Distance |
|---|---|
| AL | 20,348 |
| AR | 4,286 |
| AZ | 1,121 |
| CA | 1,291 |
| CO | 836 |
| CT | 339 |
| DC | 11 |
| DE | 130 |
| FL | 3,355 |
| GA | 13,541 |
| IA | 633 |
| IL | 1,456 |
| IN | 2,222 |
| KS | 0 |
| KY | 1,628 |
| LA | 8,428 |

## F. Merging Multiple Cells into One (works great for latitude:longitude)

Have you ever received GPS data in spreadsheet format but found the latitude and longitude points were in different cells? As we know, with most software the points must be entered in the same cell since it takes both to pinpoint a location. Here's the solution: the Concatenate function will allow up to 255 text strings to be joined into one text string, separated by spaces, punctuation or whatever you desire. In our example, the data needs to be separated by a colon, which is what we will enter between the quotation marks. We enter the following formula in a blank cell, putting the 2 cell references we want to combine within ( ), along with the colon, which is offset by commas and the quotation marks:

=CONCATENATE(B10,":",D10)

Once the 1st entry is combined, all we need to do is drag it down to combine all others.

Before

| Latitude | Longitude |
|---|---|
| 39.7233 | 77.7352 |
| 39.7232 | 77.7352 |
| 39.7232 | 77.7352 |
| 39.9275 | 77.6356 |
| 40.0808 | 77.4374 |
| 40.1884 | 77.1847 |

After

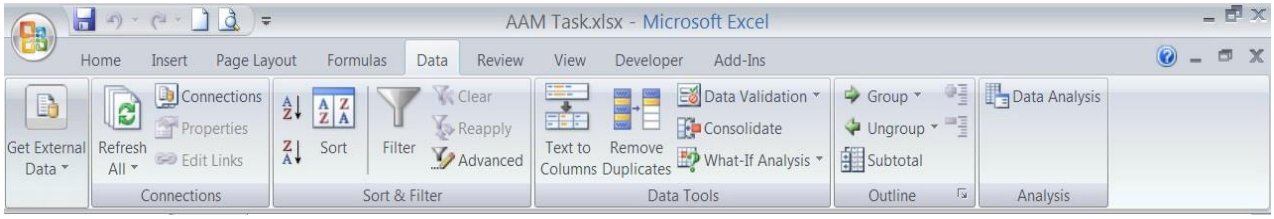
39.7233:77.7352
39.7232:77.7352
39.7232:77.7352
39.9275:77.6356

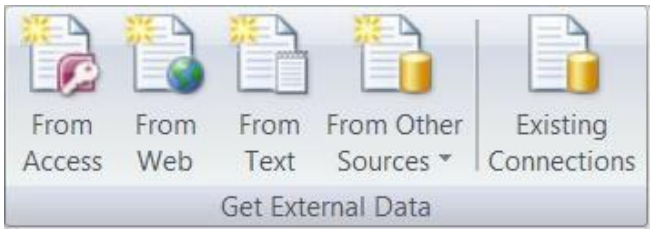
40.0808:77.4374
40.1884:77.1847

This process will work anytime you need to combine cells: last name, first name separated by a comma; first name last name separated by a space or two or three, etc.

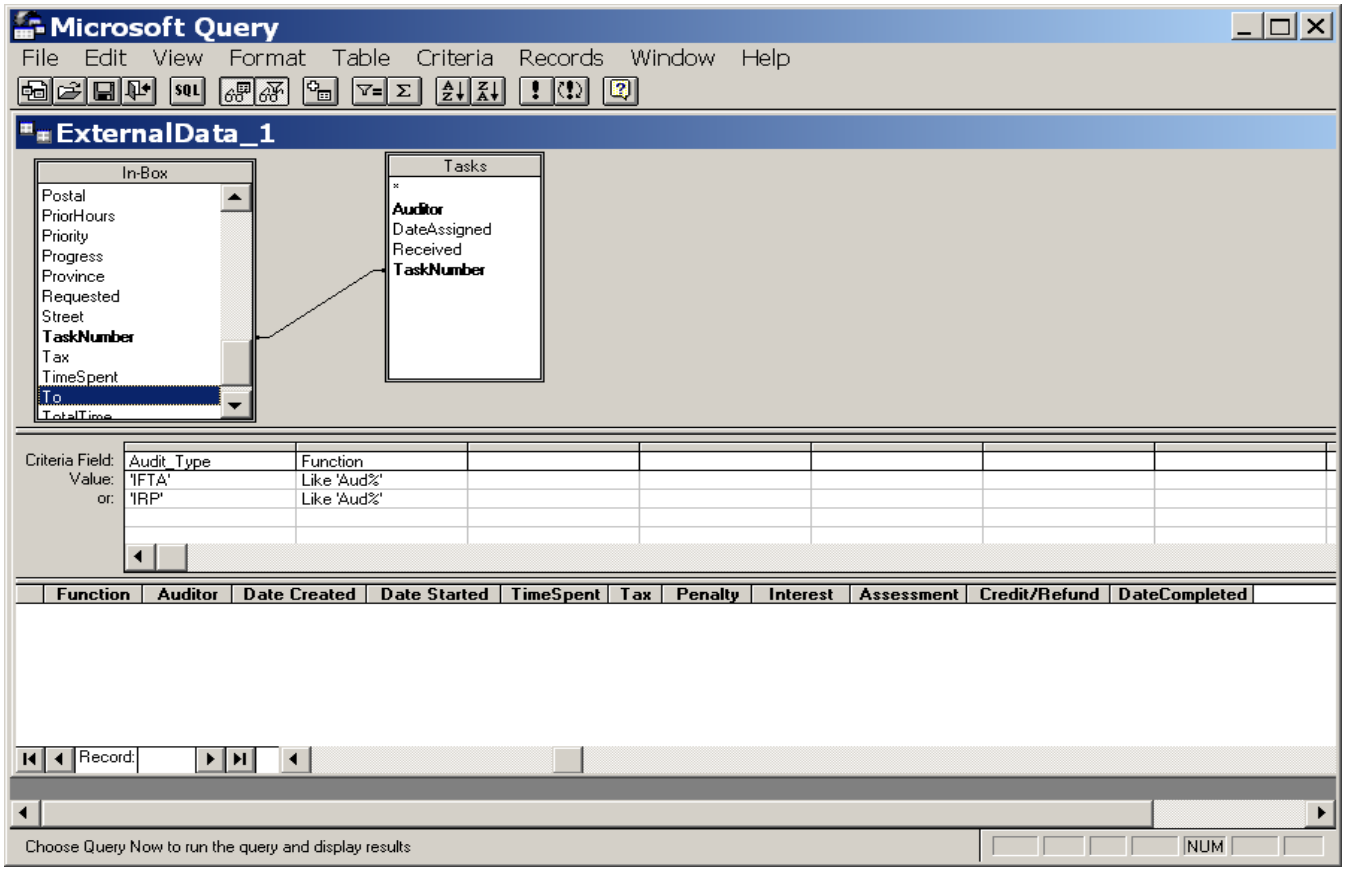
## G. Getting External Data

You can use Microsoft Query to retrieve data from external sources. By using Microsoft Query to retrieve data from your corporate database and files, you don't have to retype the data that you want to analyze in Excel. You can also refresh your Excel reports and summaries automatically from the original source database whenever the database is updated with new information.



The query below has two tables selected and the common field is “TaskNumber”. Fields selected from both tables and inserted in the bottom pane will be displayed in Excel. In the example below, only IRP and IFTA audits will be inserted into Excel.



| | | | | |
|---|---|---|---|---|
| | 4. Review reported IRP data<br>a. Distance discrepancies (jurisdictional gaps, estimated v. actual, IRP differences, etc.)<br>5. Were any unusual trends or variances identified? If yes, note them in G and discuss in the audit report.<br>6. List any potential problem area(s) for the audit(s).<br>7. Determine if audits of related IRP accounts (i.e. owner operators) are appropriate.<br>**G. Other Information/Comments**<br>As indicated in F 5, note unusual trends or variances here. | | | |
| Section Hours<br>0.00 | | | | |
| | **II. Opening Conference and Internal Control Evaluation**<br>The purpose of the opening conference is to obtain factual information about the carrier's business that will enable the auditor to conduct a thorough and efficient examination.<br>**A. Conduct Opening Conference**<br>1. Discuss pre-audit questionnaire with carrier including business operations, internal control, other accounts, locations, personnel responsibilities, leases, etc.<br>2. Discuss carrier's record keeping system and operational records<br>3. Explain audit scope/purpose/process. | | | Date |
| included above | **B. Internal Control Evaluation**<br>1. Document your understanding of the internal control structure (may be in IRP Questionnaire)<br>a. Document the personnel responsible for preparing the distance records, verifying distance, and reporting distance.<br>b. Document changes in personnel, accounting procedures, or operations.<br>c. Document available distance records and flow of transactions.<br>d. Document report preparation procedures.<br>e. Document any strengths or weaknesses.<br>2. Trace transaction through carrier's record keeping system<br>3. Reconcile equipment lists | | | |
| included above | **C. Sampling**<br>1. Determine extent of field work (sampling)<br>2. Discuss proposed sample (including specific vehicles that will be sampled) and sampling methodology (if applicable). | | | |
| included above | **D. Determine if Other Audit(s) or Review(s) are Necessary**<br>1. Related IRP account(s) | | | |
| included above | **E. Obtain/Request records needed to perform the audit** | | | |
| | **F. Other Information/Comments** | | | |
| Section Hours<br>0.00 | | | | |

**III. Field Work**

The purpose of conducting the field audit work is to verify the extent of the carrier's compliance with the IRP Rules and Regulations.

Verify reliability of reported distance from source documents via sampling or 100% audit. Distance processes use odometer/hubodometer readings, computer distance programs, etc. based on the route of travel, and/or other records as available and/or appropriate.

**A. Distance Examination**

Compute audited distance and document findings (prepare audit schedules and/or worksheets to reflect):

1. Reported jurisdictional and total distance from recaps
2. Distance verification (detail testing of trip reports)
3. Error projection rates (if applicable)
4. One-time distance adjustments (if applicable)
5. Audited jurisdictional and total distance

**B. Other Information/Comments (i.e., audit of related accounts, etc.)**

Section Hours

0.00

**IV. Completion of Field Work**

The purpose of the summary work (completion of audit) is to finalize the audit for issuance of the notices of deficiency determination.

**A. Input audited distance data into computer system:**

1. IRP. — invoice #

**B. Compose Audit Report**

**C. Scan Documents**

1. Signed engagement letter with attachment .
2. IRP Questionnaire .
3. Sample documents/carrier exhibits — SE 1-?
4. Carrier correspondence and other documents

**D. Create Zip File and Attach to Case Profile as an Examiner's Note** — Date

1. Audit Report
2. IRP Invoice (data must be keyed into system; pdf file does not have to be in zip file)
3. Audit Program. The following documents should be included at a minimum:
    a. Audit Program
    b. Contact Log
    c. Equipment List
4. Supporting schedules/work papers
5. All scanned documents indicated above in C.

**E. Submit for Supervisory Review** — Date

**F. Correct errors and/or schedule audit delivery**

1. Correct all noted changes
2. Contact carrier and schedule audit delivery. — Date

**G. Print carrier's Copy of the Audit**

1. Audit Report
2. IRP Invoice (includes summary for each registration year)

**H. Other Information/Comments**

Section Hours

0.00

**V. Audit Delivery and Completion of Audit**

The purpose of the post-audit conference is to review the auditor's findings with the carrier.

**A. Deliver Audit (Conduct Post-Audit/Closing Conference)** — Date

1. Prepare the completion cover letter and mail to the carrier with a copy of the audit report (See IV.G)
2. If not delivering in person, attempt to hold the closing conference by telephone.
3. Provide a copy of the audit report to the carrier (Section IV. Part G.).
4. Discuss audit findings and adjustments.
5. Suggest recommendations for improvement.
6. Explain interest calculations, penalties, and refund procedures.
7. Advise carrier of appeal rights.
8. Present carrier with IRP invoice(s).
9. Collect Remittance for IRP.
10. Receive written correspondence from the carrier
    a. Request for waiver of penalty.
    b. Contentions.

**B. Audit Completion**

1. Update Audit Program (Contact Log, Audit Program).
2. Update the zip file and carrier's case profile.
3. Scan any additional documents (document receipt form, carrier correspondence).
4. Forward signed audit billing(s) with remittance (if applicable). — Date

**C. Other Information/Comments**

_____

_____

| Section Hours | Total Audit |
|---|---|
| 0.00 | **0.00** |

| Section Hours | **VI. Audit Travel Time** |
|---|---|
| | The total travel time related to the audit. |

| **Total Hours** | |
|---|---|
| **0.00** | **This audit was conducted in a fair, impartial and unbiased manner on behalf of all jurisdictions. Due professional care and proficiency were exercised in accordance with IRP.** |

*Signature*

Auditor

Department

Division

## APPENDIX 2 – AUDIT COMMUNICATION (The following items are examples only – it is up to each jurisdiction to determine how they will comply with the notification requirements)

## PART 1 – EXAMPLE AUDIT NOTIFICATION

MVA-4
03/2023

**Jurisdictional Letterhead**

Date

Carrier
DBA
Address
City/State/AL

Dear Taxpayer:

*Jurisdiction* , as a member of the International Registration Plan (IRP) , is required to conduct periodic audits of based carriers. Accordingly, the below referenced account(s) have been selected for audit as indicated:

IRP Account #: _____ Audit Period: _____ through _____

An opening conferece is scheduled for: **DATE** on **TIME** at the following location: **Location**

All information will be returned at the conclusion of the audit process. Please note the audit period may be expanded to the full three (3) year statute if warranted. The following page and the enclosed section from the *Motor Carrier Services Manual* provide examples of acceptable distance documentation.

**Please sign one copy of this letter, and return it along with the completed Questionnaire prior to the scheduled audit date.** Please contact me as indicated below if you have any questions.

Sincerely,

Signature

Auditor
Division
Address
City/State Zip
Phone Number
Email

Enclosures

The undersigned acknowledges receipt of the *audit notification and* hereby confirms the audit engagement as scheduled.

| *Signature | Title | Date |
|---|---|---|

* Must be an Owner, Partner, Corporate Officer, or hold a Power of Attorney for the company or individual.

"An Affirmative Action / Equal Opportunity Employer"

Page 1 of 2

Carrier
Page 2
Date

**Records Required for the Audit:**

**Distance Records: July 01, 2022 through June 30, 2023 (3Q, 2022 – 2Q, 2023)**

A. Any of the following used as distance source documents:

1. Individual Vehicle Distance and Fuel Records (IVDR's)
2. Trip reports/envelopes
3. Driver's daily (DOT) logs
4. If electronic, records and reports with latitude/longitude data in .CSV or Excel format

Note: Other documents such as maintenance records, receiving contracts, bills of lading, dispatch reports, and/or payroll records may be required to support the above documents. **If your trip documents do not reflect odometer readings and you have that information recorded elsewhere within the specified time frame, it should be provided.**

B. Monthly and/or quarterly **vehicle** summaries of all distance traveled in each jurisdiction.
C. Quarterly **fleet** summaries of all distance traveled in each jurisdiction.

**Other Documents**

A. Equipment list including description (year/make/model/VIN/GVW/service dates) as requested in IRP / IFTA questionnaire.
B. Lease agreements (if applicable)
C. Trip or fuel permits (if applicable)

Note*
**The auditor should tailor this list to match the audit situation and explain if these are specific records that will be needed for the entire audit period or only for a specific sample period(s).**

## APPENDIX 2, Part 2 – EXAMPLE 30-DAY WAIVER

*Waiver is provided as an example only as a written waiver form is not required. Article 4, Section 401(c) states that "the Base Jurisdiction may waive notification requirements with agreement from the Registrant. Any waiver of notification requirements or postponement must be documented in the Audit file."*

30- DAY WAIVER

Date

[Company]
Address

RE: Audit File #: Audit #
IFTA Audit Periods: IFTA audit period
IRP License Years: IRP license year

Dear Name,

As a participant in the International Registration Plan (IRP) and the International Fuel Tax Agreement (IFTA), *(insert jurisdiction authority name*) audits the quarterly fuel taxes and the annual registration application filed by carriers on behalf of all 48 states and the 10 provinces of Canada and is required to adhere to the audit standards established by all jurisdictions as voting members of IRP and IFTA. Section A420 of the IFTA Audit Manual and Section 401 of the IRP Audit Procedures Manual requires the *(jurisdiction authority*) to contact the carrier at least 30 days prior to conducting an audit to allow the carrier time to prepare for the audit; however, the carrier may agree to waive the 30-day requirement, which must be documented in the audit file.

It is the Department's understanding that [Company] is interested in waiving the 30-day requirement to prepare for the audit. If our understanding is correct, please print your name and title in the space provided and sign and date below. Return this Waiver to the undersigned.

Sincerely,

Auditor Name
Auditor Title
Auditor Phone Number

I, _____, _____, as a representative of
REGISTRANT NAME (PRINTED) REGISTRANT TITLE (PRINTED)
[Company] agree to waive the 30-day requirement to prepare for the audit identified above.

_____ _____
Taxpayer/Representative Signature Date Signed

## APPENDIX 2, Part 3 – IRP QUESTIONNAIRE example 1

# Department
# Division
# IRP Questionnaire

**This questionnaire is designed to assist in evaluating your record keeping system. Please complete and return with the requested rec**

**Auditor**
**Department**
**Address**
**City/State Zip**
**Phone Number**
**Email**

***Please review the following information and make corrections if necessary.***

IRP Account No.: _____

Company Name: _____

Business Address: _____

Mailing Address: _____

---

**I. Type of Operation:**

| Type of Operation: | | Commodity Class: | |
|---|---|---|---|
| _____ Common Carrier | _____ For Hire Rental | _____ All | _____ Logs |
| _____ Contract Carrier | _____ For Hire | _____ Exempt | _____ Passengers |
| _____ For Hire Exempt | _____ Private | _____ Household Goods | |

Briefly describe your business activity: _____

_____

Briefly describe the type(s) of commodities (cargo) transported: _____

---

**II. Vehicles Operated During the Period:** **thru** **Diesel** **Gas** **Other**

**Total vehicles (power units) operated in excess of 26,000 lbs (GVW).**
(indicate the number of vehicles to include owned and leased vehicles). _____ _____ _____

**Number of vehicles with IRP tags supplied by you?** _____ _____ _____

**Do any of these vehicles travel exclusively in *(insert base jurisdiction)*?** _____ Yes _____ No.

**Are any of these vehicles leased from owner/operators?** _____ Yes _____ No. **If No, go to page 2, section III.**

**If you answered Yes to the above, how many vehicles are leased for less than thirty days?** _____ **Thirty days or longer?** _____

**Do you maintain the distance and fuel records for your owner/operators?** _____ Yes _____ No

**Are any of your owner/operators responsible for securing their own license plates?** Yes _____ No

**If yes, please explain:** _____

---

**III. Internal Control:**

**Were there any changes in your accounting procedures or operations, including personnel, during the audit period?**

Yes _____ No _____ If Yes, changes in: _____ Personnel _____ Operations _____ Procedures

Please explain: _____

**Please list the personnel responsible for the following functions:**

1.) Documenting/recording trip miles: _____

2.) Verifying the recorded distance: _____

3.) Compiling distance summaries from recorded data: _____

4.) Reporting distance (IRP registrations): _____

**Distance Documentation:**

| | | | |
|---|---|---|---|
| Is the documentation maintained by trip? | _____ Yes | _____ No | _____ N/A |
| Are records complete and easily attainable? | _____ Yes | _____ No | _____ N/A |
| Is any type of on-board computer used? | _____ Yes | _____ No | _____ N/A |
| Is distance reconciled with odometer/hubometer readings? | _____ Yes | _____ No | _____ N/A |

**Report Preparation:**

| | | | |
|---|---|---|---|
| Is the reported distance compiled from reconciled summaries? | _____ Yes | _____ No | _____ N/A |
| Are month-end cut-off procedures consistently applied? | _____ Yes | _____ No | _____ N/A |

**Please describe in detail, the flow of a distance through your record keeping system.**

_____

_____

_____

_____

_____

**IV. Records Maintained:**

**What type(s) of distance records are maintained?**

| | | |
|---|---|---|
| _____ Individual Trip Records (IVDRs) | _____ Driver Payroll Records | _____ Electronic (GPS) Trip Reports |
| _____ Driver's Daily (DOT) Logs | _____ Dispatch Reports | _____ Trip/Fuel Permits |
| _____ Maintenance Records | _____ Lease Agreements | |

How long are the records maintained? _____

**What items do your distance records reflect?**

| | | |
|---|---|---|
| _____ Beginning and ending dates of the trip | _____ Total trip distance | _____ Vehicle identifier |
| _____ Trip origin and destination | _____ Route of travel | _____ Distance per jurisdiction (state/provinc |
| _____ Original GPS or other location data (latitude / longitude coordinates) | _____ Date & time of each GPS or other system reading | _____ Calculated distance between each GPS or other system reading |
| _____ Beginning odometer reading | _____ Ending odometer reading | |

Other (please list): _____

**If you have an electronic (GPS) system please provide the following:**

Brand / provider: _____ How often does the device capture a reading? _____

The device is: _____ Portable (Garmin, etc.) _____ Hardwired or otherwise installed in the vehicle

What software does the GPS system use to generate the jurisdictional distance (Rand McNally, etc.)? _____

**How is total jurisdictional distance determined?**

_____ Odometer/hubometer readings. _____ Map/route miles. _____ Computer software.

_____ Standard distance guides. _____ Other (please explain): _____

**Are distance prepared BY VEHICLE?** _____ Yes _____ No

If yes, how often?

Distance: _____ Monthly _____ Quarterly _____ Annually

Fuel: _____ Monthly _____ Quarterly _____ Annually

**Are distance prepared BY FLEET?** _____ Yes _____ No.

**If yes, how often?**

Distance: _____ Monthly _____ Quarterly _____ Annually

Fuel: _____ Monthly _____ Quarterly _____ Annually

**Are distance maintained at the same location?** _____ Yes _____ No

If No, please explain: _____

Has there been travel in any jurisdiction that is exempt from distance reporting? _____ Yes _____ No

If yes, which jurisdictions and why: _____

**V. Administrative:**

**Were any of your vehicles registered (IRP) in another jurisdiction during any part of the audit period? If yes, where?**

**Were any of your vehicles leased to another carrier during any portion of the audit period?** _____ Yes _____ No.

If yes, list carrier's name/address and lease dates (copies of lease agreements should be provided with your records) _____

Number of vehicles leased? _____ Party responsible for reporting IRP operations: _____ You _____ Lessee

**How are the drivers compensated?** By the mile _____ By the hour _____ Percentage of load _____ Other (please describe):

**VI. Additional documentation to be submitted with this questionnaire:**

1) A copy of the manual or electronic record used to document the distance.

2) A vehicle listing to include unit number, model year, make, type (truck or tractor), VIN, registered GVW, fuel type, dates of operation and indicate

3) Names/addresses of any owner/operators leased to you.

Name of person responding to questionnaire: _____

Title: _____ Telephone number: _____

Contact (if different): _____

Title: _____ Telephone number: _____

**APPENDIX 2, Part 3 – IRP QUESTIONNAIRE example 2**

## I Administrative

- How many business locations are there, and where are they located? _____
- What are the corporate officer's names? _____
- Does the company claim any other jurisdiction(s) as its base for vehicle registration (IRP) purposes? _____
  If yes, indicate jurisdiction(s) and account #:_____
- Has your company been audited by this jurisdiction and for what period? _____
- Does your company claim any other jurisdiction(s) as its base for fuel tax (IFTA) purposes? If yes, indicate jurisdiction(s) and account #: _____
- Has your company been audited by this jurisdiction and for what period? _____

## II Type of Operation

| CLASSIFICATION | | ACTIVITY | |
|---|---|---|---|
| Private | ____ | Rental or Leasing Company | ____ |
| Contract Carrier | ____ | Property Carrier | ____ |
| Common Carrier | ____ | Passenger Carrier | ____ |
| Exempt for Hire Carrier | ____ | Household Goods Carrier | ____ |

## III Vehicles

The auditor should request, in advance, a current vehicle listing that includes make, type (truck or tractor), registered GVW, number of axles, fuel type and indicate if leased vehicle. This list should be forwarded to the auditor or made available in the opening conference.

| | Diesel | Gas | Other |
|---|---|---|---|
| • Total vehicles (power units) operated in excess of 26,000 lbs. | ____ | ____ | ____ |

- Are any of these vehicles exclusively for INTRAJURISDICTION travel?
- Are any of these vehicles leased from owner-operators?
  If yes, how many vehicles are leased for less than 30 days?____30 days or longer?___
- Do you maintain the distance and fuel records for your owner-operator?
- Are any of your owner-operators responsible for securing their own license plates?
  If yes, please provide a list of these owner-operators.

## IV Records

- Are distance and fuel records maintained at the same location?
- Are IVDR's used by drivers? If yes, check which information is contained on the report.

| | | |
|---|---|---|
| __Date of trip | __Trip number | Driver's name |
| __Vehicle number | __Fleet number | Trailer number |
| __Total trip miles/kilometers | __Routes of travel | Jurisdictional distance |

__Trip origin and destination  Odometer or Hubodometer readings

- How are total and jurisdictional distances determined?
  __Odometer/hubodometer readings  Maps/route miles/kilometers
  __Computer software  Satellite Tracking/GPS  Other

- IVDR's are filed by:
  __Driver name or ID #  Trip number  Vehicle number
  __Date trip started  Date trip ended  Other

- How is fuel purchased:
  __Tax paid at pump  __Tax paid in bulk

  __Tax unpaid at pump  Tax unpaid in bulk  ____Alternative fuel

- Fuel invoices are filed:
  __With IVDR  _  _By vehicle  By supplier
  __By jurisdiction  Other

- Are the fuel records maintained
  ___Electronically
  ___On paper

- Distance and fuel data is summarized:
  __Weekly  Monthly  Quarterly  Yearly

**The auditor should determine if the company is using bulk fuel facilities. If bulk fuel is used, the following questions should be used:**

- How often is fuel inventory reconciled?
  __Daily  __Weekly___  Monthly
  __Quarterly  __Yearly

- Are fuel records maintained listing the date, quantity, vehicle number, etc.?
- Does the company maintain bulk fuel storage in any other jurisdiction?
  If yes, in which jurisdiction(s) _____

## APPENDIX 2, Part 4 – EQUIPMENT LIST (Example 1)

**International Registration Plan**
**Equipment**

**Registration Name:** MOTOR CARRIER INC
**Account Number:**
**WMT File Number:** 000123
**Registration Year:** 2025
**Fleet Number:** 01

| Plate | Equipment No. | VIN | Make | Year | Type | Weight | Fuel | Issue Date | Cancel Date | Reg. Begin Year | Reg. End Year | Sample |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
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| NOTE: Blank spaces are inserted for date values if the plate is not added or cancelled during mileage year | | | | | | | | | | | | |

EL -1
03/2023

**Department**
**Division**
**AUDIT EQUIPMENT LIST**

Carrier

| Unit No. | Make | Year | Type | VIN | Fuel | Weight | IRP | Date Added | Date Deleted |
|---|---|---|---|---|---|---|---|---|---|
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Page 1 of 1

## APPENDIX 3 – Sampling Agreement:

**Department**
**Commerce and Compliance Division, Motor Carrier Audit**
**International Registration Plan (IRP)**

**AUDIT SAMPLING AGREEMENT**

Registrant: MOTOR CARRIER INC.
Refer to IRP File-Fleet No.: 123456-01 Audit period: 7/1/2023 — 6/30/2024
(2025 Registration Year)

To reduce the time and expense required to conduct a complete audit of all your records, the Oregon Department of Transportation uses an audit method that samples your records from periods that are selected as representative of your operations.

By signing this form, you agree to allow the Oregon Department of Transportation to conduct this audit using months, quarters, or periods selected as representative of your operations. The sample results will then be applied to the mileage percentages used to calculate your 2022 apportioned registration fees.

The following months, quarters, or periods have been selected as representative and typical of your operations from 7/1/2023 through 6/30/2024.

| | | |
|---|---|---|
| Jan-2024 | Feb-2024 | Mar-2024 |
| | | |
| | | |
| | | |

Signature of Authorized Employee/Agent

Title

MOTOR CARRIER INC
Firm Name

Date

Auditor

**Mail this form to:**
Igor Auditor
Motor Carrier Auditor
Salem/Springfield Audit
455 Airport RD SE, Building A
Salem, OR 97301
503-123-456
FAX 503-123-456
Igor.auditor@emailaddress.fake

## APPENDIX 4 – RECORDS EVALUATION AND NARRATIVE AUDIT REPORT

## AUDIT REPORT (Example 1)

Department
International Fuel Tax Agreement (IFTA)
International Registration Plan (IRP)
Audit Report

| | |
|---|---|
| John Q. Semi (Add Title if corp entity) | IFTA License Number: AL12345678903 |
| Company Legal Name or dba (if one) | IFTA Audit Period: 1Q, 2022 – 4Q, 2023 |
| Mailing Address | IRP Account Number: 11-00001-01 |
| City/State/Zip | IRP Registration Years: 2023 and 2024 (07/2021 – 6/2023) |
| (XXX) XXX-XXXX | DOT Number: 12345678 |

### RECORDS EVALUATION

**Type of Operation:**

- ☐ For Hire
- ☐ Private
- ☐ Households Goods (Movers)

**Commodity Class:**

- ☐ All
- ☐ Exempt
- ☐ Passengers
- ☐ Logs

**Source Documents Maintained in Support of Distance:**

- ☐ Trip Reports (IVDR's)
- ☐ Driver Pay Records
- ☐ Driver's Daily (DOT) Logs
- ☐ Freight Bills or Manifest
- ☐ Electronic Tracking Data
- ☐ Other: _____

**Items Reflected in Distance Source Documents:**

- ☐ Date of Trip (Begin & End)
- ☐ Route of Travel
- ☐ Begin & End Odometer Reading
- ☐ Total Trip Distance
- ☐ Trip Origin & Destination
- ☐ Vehicle Identification Number
- ☐ Distance by Jurisdiction
- ☐ Date/time of GPS Readings
- ☐ Carrier's Name
- ☐ Fleet Number
- ☐ Driver's Name
- ☐ Location of each GPS Reading

**Source(s) Used by Carrier To Determine Distance:**

- ☐ Odometer Readings
- ☐ State Maps
- ☐ Other: _____
- ☐ Hubodometer Readings
- ☐ Standard Mileage Guide
- ☐ Distance Software
- ☐ Estimated

**Summaries Maintained in Support of Distance:**

- ☐ Monthly Summaries by Vehicle
- ☐ Monthly Summaries by Fleet
- ☐ Quarterly Summaries by Vehicle
- ☐ Quarterly Summaries by Fleet
- ☐ Annual Summaries by Vehicle
- ☐ Annual Summaries by Fleet

**Auditor's Evaluation of Maintenance of Distance Records:**

- ☐ Adequate
- ☐ Inadequate

**Source Documents Maintained in Support of Fuel:**

- ☐ Individual Receipts
- ☐ 3rd Party or Vendor Summary Invoices
- ☐ Bulk Storage Purchase Invoices
- ☐ Bulk Fuel Reconciliation
- ☐ Bulk Storage Withdrawal Logs
- ☐ Other: _____

**Items Reflected in Fuel Source Document(s):**

- ☐ Date of Purchase
- ☐ Purchaser's Name
- ☐ Other: _____
- ☐ Fuel Type
- ☐ Vehicle Identification Number
- ☐ Price Per Gallon
- ☐ Seller's Name and Address
- ☐ Quantity Purchased
- ☐ Tax Paid

**Summaries Maintained in Support of Fuel:**

- ☐ Monthly Summaries by Vehicle
- ☐ Monthly Summaries by Fleet
- ☐ Quarterly Summaries by Vehicle
- ☐ Quarterly Summaries by Fleet
- ☐ Annual Summaries by Vehicle
- ☐ Annual Summaries by Fleet

**Auditor's Evaluation of Maintenance of Fuel Records:**

- ☐ Adequate
- ☐ Inadequate

**Trends or Variances:**

- ☐ No
- ☐ Yes If any are noted, the auditor can list them

Comments on Evaluation: An adequate rating does not indicate improvement is not warranted, but rather that the records presented enabled verification of the activity. The reader is directed to the Exit Conference section and the recommendations contained therein. If 1 or both are inadequate, change the 1st sentence as necessary: i.e., An inadequate records assessment was issued for each program. OR Incomplete fuel resulted in an applied MPG in some quarters. Etc.

**AUDIT NARRATIVE** (IRP Article 6; IFTA A460)

**Taxpayer Information:** John Q. Semi hauls for hire and is engaged in the business of transporting general commodities via dry vans and flatbeds throughout the southern and western United States. The business operations and qualified vehicles are based in Everywhere, XXX. During the audit period, the fleet consisted of twelve (12) vehicles with registered weights ranging from 30,000 to 80,001 pounds. The taxpayer was audited in 2018, at which time he received an inadequate rating…or...this is the initial IFTA/IRP audit.
*The taxpayer section gives a general overview. When an account has been opened in the last 3 to 4 years that is good information for the reader – if it is as old as dirt, not so much. The section should also be used to discuss items such as multiple IRP fleets, stratified operations (i.e., company and owner/operator segments, country wide and regional segments, etc.), a failure to register, evidence of unreported operations obtained from Federal sources, unusual trends or variances, etc. Control issues should be discussed in the Evaluation section.*

**Pre-audit Contact:** (IRP 401 – 403; IFTA A420, 430) Mr. Semi, Title unless in the name of an individual, was initially contacted by telephone on June 30, 2024, regarding the IFTA/IRP audit. An audit confirmation letter, questionnaire, and Alabama Taxpayers' Bill of Rights were subsequently mailed and emailed to his attention. An opening conference was held with Mr. Semi at 10:00 a.m. on July 29, 2024, at the physical address – 123 Diesel Avenue; Everywhere, XXX. During this conference, the nature of the business operations and record keeping system were discussed. The questionnaire was reviewed, and the audit purpose, scope and process were explained. At the conclusion, the audit was conducted on site…or…the records were transported to the XX Taxpayer Service Center, where the audit was conducted. Additional records were requested and received via the US Postal Service on August 11, 2024.
*All persons in attendance at the opening conference and their title should be disclosed. You should indicate whether the prelim packet was mailed, emailed or both. When the account is in the name of an individual, prior to discussing the details of the audit and monetary implications, a valid POA must be obtained, even for a spouse and/or the person reflected as the contact. With regard to a corporate entity, while initial contact may be made with the indicated contact – if a corporate employee – the initial communication and final report should be directed to an officer of the company to ensure they are aware of the audit. A POA must be obtained (if not already on file) prior to working with any 3rd party, such as a paid preparer. Finally, contacts are documented in the log, so although there may be multiple contacts, if in the end the taxpayer complies, it is unnecessary to document all those attempts in the report, since that serves to set a negative tone. Conversely, if the carrier does not comply, documentation in the report is expected because it may prove useful in the event of an appeal.*

**Evaluation of Internal Controls:** (IRP APM 502; IFTA A320) The operating vehicles, which are domiciled at the business location when not in use, are equipped with XXX ELD devices, which are attached through the ECM. The devices remain in place and are only removed for maintenance. The system captures GPS data every half hour when the engine is off, and multiple times per minute when the vehicle's engine is engaged. Detailed reports include the carrier's name, vehicle identification, date/time stamps, location information, latitude/longitude, and odometer readings. This data is not retained by the carrier but available upon request from the vendor. Despite an otherwise strong system, no odometer reconciliations are performed to ensure all distance is reported, which is a weakness.

XXX fuel cards are issued – by driver – for retail fuel purchases; drivers do not always operate the same vehicle. XXX provides the taxpayer with a daily history; detailed invoices are provided monthly. Cash purchases are occasionally made, and drivers must turn the receipt in for reimbursement. A disbursement log reflects those transactions. A 2,000-gallon tax-paid bulk storage facility is also maintained for fueling qualified and unqualified equipment; all unqualified vehicles remain within the base jurisdiction. A withdrawal log with the required elements is maintained at the pump, and the bulk fuel reported each quarter is based on the log. Periodic inventory reconciliations are not performed and retained, as required, which is the main weakness in an otherwise strong fuel accounting system.

Ms. Mary Semi, Spouse, generates quarterly vehicle distance summaries from the XXX system. Other office personnel use the XXX reports, and cash, and bulk records to create vehicle fuel summaries, by fuel type. The summaries are utilized by Ms. Semi to prepare the IFTA tax returns, and the appropriate IFTA returns are used when completing the IRP renewals. The segregation of duties is a strength. Ms. Semi assumed the reporting process in January 2024. According to the carrier, no changes were noted in the accounting procedures or operations, other than personnel. Mr. Semi secured two (2) extra sets of IFTA decals each year; all decals were accounted for through vehicle transactions.

Regarding reporting, throughout 2023, the IFTA reporting reflected a static MPG of 5.00 and tax paid gallons equivalent to the calculated taxable gallons, per jurisdiction, limiting the tax liability to surcharge jurisdictions. Additionally, numerous returns were filed late, although the IRP renewals were timely. Despite the observed weaknesses, and although occasional vehicles were incomplete, the system was reliable for determining representative distance and fuel.

*The governing documents require the above evaluation. Internal controls should flow through the carrier's system.*

1. *Distance with description of system and processes – strengths / weaknesses.*
2. *Fuel with description of everything fuel related – who, what, when, where, how – strengths / weaknesses*
3. *Summaries and reporting from the carrier's perspective. Do they have summaries, what kind, who did they say was responsible for reporting, any segregation of duties, etc. – strengths / weaknesses. This is also the paragraph where we should include and noted changes as well as decal sets purchased*
4. *Regarding reporting…this is the paragraph where we discuss what the system actually reflects – were they timely, are the MPGs reasonable, are they rounding, are they reporting equal tax paid and taxable gallons, etc. In other words, are there any trends and variances. Here we forget what they said they do and discuss what they actually do. The last thing in that section should be a statement as to whether the system is reliable or unreliable, and the consequence of that – i.e. the lack of a reliable system warranted an inadequate rating OR despite the noted weaknesses, the available information, when combined, was reliable for determining audited information, etc.*

**Sampling Methodology**: (IRP APM 503; IFTA A330) The second quarters of 2022 and 2023 were selected as distance and fuel sample periods. Two (2) vehicles were selected from each quarter; #502 and #514 from the 2022 sample and #500 and #506 from the 2023 sample for distance; all vehicles were included for fuel. The distance samples accounted for 17 percent of the fleet vehicles, 28 and 25 percent of the total distance, and 84 and 92 percent of the reported jurisdictions, respectively. The carrier expressed no contentions with the sampling methodology or vehicles.
*The last sentence is good information when it is accurate. While it is always a good practice to consult with the carrier regarding a potential sample selection since they know things we do not, that is not always possible.*

**Distance Analysis**: (IRP APM 5; IFTA P530, P570, A350) The appropriate quarterly IFTA returns were combined and compared to the respective IRP renewals; the information agreed. The quarterly vehicle summaries were combined and compared to the corresponding IFTA fuel tax returns and IRP renewals. Discrepancies were noted in three (3) quarters (1Q, 2022; 2Q, 2022; 2Q, 2023). The discrepancies included unreported distance (FL in 1Q; FL, LA and TX in 2Q, 2022; GA in 2Q, 2023) and Indiana miles that were inadvertently reported to Illinois (2Q, 2022).

After reducing the data to a manageable ping rate, the latitude / longitude points were entered into Testing Software for the sample vehicles/quarters. When compared to the respective vehicle's summaries, the jurisdictional distance was comparable. Beginning/ending odometer readings were also scheduled for comparison, revealing variances ranging from zero (0) to 1,211 miles; the respective summary and odometer distance were reconciled. Considering the variances, the beginning/ending odometer readings were scheduled for the non-sample vehicles as well, with any variances proportionally allocated. The audited distances were accepted. The attached IRP Audit Invoice (and supporting schedules) and IFTA Audit Summary reflect all adjustments.

**Fuel Analysis**: (IFTA P530, P570, A350 & A360) The quarterly vehicle summaries were combined and compared to the corresponding IFTA tax returns; the results agreed.

All fuel purchases reflected in the monthly XXX invoices were scheduled and compared to the respective summaries; the information was appropriately carried forward to the summary. In order to test the cash purchases and bulk withdrawals, the disbursement and withdrawal logs were reviewed. One (1) cash purchase was noted for each vehicle; both were properly transferred to the summary.

When a comparison was made between the bulk withdrawal log and vehicle summaries, withdrawals were quite often noted that were not reflected in the summary. In order to determine the issue, the purchase invoices were scheduled, as were the withdrawals for the non-qualified vehicles and equipment. The ending balance for the quarter supported the withdrawal logs were complete, confirming the inaccuracy of the vehicle summaries. Considering the vehicle summaries separated the bulk and OTR fuel, the qualified withdrawals were scheduled

each quarter of the audit period to ensure proper adjustments. Although the fuel was complete, the reporting methodology resulted in adjustments in most jurisdictions every quarter.

**MPG Analysis:** (IFTA P530, P570, A350 & A360) The reported MPG was a static 5.00 versus the audited MPGs, which ranged from 5.13 to 5.89. The attached IFTA Audit Summary reflects all adjustments.

**Exit Conference:** (IRP APM 404; IFTA A450) A closing conference was held with Mr. Semi on August 28, 2024. A copy of the audit was provided, and all records were returned at that time. The audit findings were explained, and the following recommendations were discussed: OR
A closing conference was held with Mr. Semi on August 28, 2024, by telephone. A copy of the audit and all records were mailed (and emailed, if appropriate) the same date. The audit findings were explained, and the following recommendations were discussed:
Note, numerous recommendations are indicated here that would not have been warranted in this case; they are listed only for reference. Regarding distance, both the manual and GPS rec are provided. Generally, 1 or the other is applicable, but there may be cases where both should be included.

- Manual distance records that substantially cover the operations and contain the following elements, per trip, will be accepted as adequate: beginning and ending dates, origin and destination, route of travel, beginning and ending odometer (hubometer, ECM, etc.) reading, total distance, distance per jurisdiction and vehicle identifier.
- Electronic distance records that substantially cover the operations and contain the following elements will be accepted as adequate. A record must be created and maintained at a minimum, every 10 minutes when the vehicle's engine is on and contain the following data elements: the date and time of each system reading, the latitude and longitude to include a minimum of 4 decimal places (0.0001) of each system reading, the vehicle identification number or vehicle unit number, and the odometer reading from the engine control module (ECM) of each system reading. If no ECM odometer is available, a beginning and ending dashboard odometer or hubodometer for the trip will be acceptable. **This data must be accessible in an electronic spreadsheet format such as XLS, XLSX, CSV or delimited text file. Formats from a vehicle tracking system that provides a static image such as PDF, JPEG, PNG, or Word are not acceptable.** ***Be advised that an electronic logging device (ELD) that meets DOT requirements does not meet IFTA / IRP requirements without additional enhancements. Additionally, as indicated below, IRP / IFTA retention requirements are significantly greater. If your provider cannot accommodate those requirements, you will need to periodically download the raw data (lat/long reports), e-logs, etc. to another accessible source for retention.***
- Acceptable fuel documentation includes receipts, vendor transaction listings, credit card statements, etc. that reflect the purchase date, vendor's name and location, carrier's name, vehicle identifier, fuel type, quantity purchased and either the price per gallon or total price.
- Controls must be implemented to ensure that all bulk fuel utilized by the fleet is captured and reported, to include periodic inventory reconciliations.
- Quarterly summaries/recaps of all distance traveled and fuel purchased in each jurisdiction, per **vehicle**, must be maintained, at a minimum.
- The actual distance traveled and gallons purchased during the quarter must be reported and used to calculate the quarterly MPG; estimates of activity and/or predetermined MPG factors are not acceptable.
- An analysis of the MPGs will alert to missing fuel data and/or incomplete or inaccurate distance records.
- All distance – loaded, empty, deadhead, bobtail, personal and commercial – must be captured and reported.
- The "tax-paid" gallons column of the IFTA return must reflect the actual gallons purchased in each jurisdiction; if none are purchased in a specific jurisdiction, zero (0) will be reported.
- For IRP, the records used to support the information reported for the current and previous three (3) registration years must be maintained. *Since IRP renewals are based on source documents from an earlier July – June period, the retention requirement for April renewals is five (5) years / 10 months.*
- For IFTA, all supporting documentation must be retained for a period of four (4) years from the date a return is due or filed, whichever is later.

**Please note that subsequent IRP audits with an inadequate records evaluation will result in an additional fee increase, as provided by IRP Section 1015. Additionally, the most punitive MPG adjustment will be applied for the IFTA segment. The above recommendations should be implemented immediately. A subsequent audit may be scheduled within the next three (3) years to ensure compliance.** Exclude when the rating is adequate.

---

To date, the taxpayer has expressed no contentions with the audit findings. Audits may be appealed in accordance with the *Juridictional Regulations*, which requires a written request within XX days of the serving of this notice. Any such request should be mailed to the following:

Division
Attn: Audit Section
Address
City, State Zip

In accordance with IRP/IFTA provisions (IRP 1040 & 1055; IFTA R1370, A460), a copy of the audit report has been submitted to all affected member jurisdictions; each will have 45 days to appeal the findings. All audit findings will be considered final with regard to both member jurisdictions and the taxpayer if they do not act as specified above.

**Summary**: The IRP audits resulted in a net liability of **$XX.XX**, consisting of $XX.XX for 2016 and ($XX.XX) for 2016. The attached *IRP Audit Invoice* summarizes the effect. Interest has been applied in accordance with International Registration Plan provisions. Please note that penalty and/or interest may be individually assessed by affected IRP member jurisdictions in accordance with those jurisdictions' statutes.

The IFTA audit resulted in a liability of **$XX.XX**; the attached *IFTA Audit Billing* summarizes the effect. Interest and applicable penalties have been applied in accordance with International Fuel Tax Agreement (R1220 & R1230.300.010) provisions.

**Please log into your MyDMV account within 30 days of the date of this report to electronically pay the total due of $X,XXX.XX by selecting the "submit payment" option in the IRP and IFTA segments of your dashboard. IRP and IFTA transactions must be processed separately.** Please email the signed billings to the address indicated below. Any credits resulting from the audit will be applied to future IRP registrations or IFTA tax returns, unless a refund is specifically requested.
Last sentence is retained only if end result it a net credit.

*Failure to remit payment as directed may result in the assessment of additional penalties and/or interest, as well as the application of liens against the taxpayer's property for any unpaid liability. Additionally, all future IRP and IFTA transactions may be suspended.*

Any of the above language that is not relative to your particular audit – i.e., IRP or IFTA only, credit language – should be deleted.

*Insert signature here*

Auditor's name, Title
Mailing address
City, state, zip
Telephone number
Email

Date

## APPENDIX 4 – AUDIT REPORT (Example 2)

Department
Commerce and Compliance Division, Motor Carrier Audit
Address

**International Registration Plan**
**Audit Report**

| | | | | | |
|---|---|---|---|---|---|
| IRP ACCOUNT NO.: | 000123 | FLEET NO(S).: | 01 | US DOT NO.: | 2222222 |
| REG. YEAR(S): | 2025 | AUDIT PERIOD: FROM: | 7/1/2023 | THROUGH: | 6/30/2024 |

LEGAL NAME: MOTOR CARRIER INC
DBA:
ADDRESS: 123 MAIN ST
CITY/ST/ZIP: ANYTOWN, USA 12345
TELEPHONE: (123) 111-2222

AGENT NAME:
ADDRESS:
CITY/ST/ZIP:
TELEPHONE:

REGISTRANT REPRESENTATIVE: _____ TITLE: _____

LOCATION OF RECORDS: ☐ REGISTRANT ☐ AGENT

TYPE OF AUDIT: ☐ Field ☐ Office

AUDITOR'S EVALUATION OF REGISTRANT'S MAINTENANCE OF RECORDS:

☐ Adequate ☐ Inadequate

Inadequate Records Assessment:

☐ First ☐ Second ☐ Third or more

Comments:

NUMBER OF VEHICLES APPORTIONED:

AUDIT PAYMENT: DATE: _____ AMOUNT: $____

_____ _____
Igor Auditor, Motor Carrier Auditor Date

Reviewed by: _____

## REGISTRANT OPERATIONS

**Give a brief description of registrant operations.**

**Findings of preaudit analysis, including unusual areas or trends:**

## AUDIT METHODOLOGY

☐ Full Audit

☐ Sample Period Audit — **Were distance summaries sufficient to use in the sample process?**

- ☐ All Vehicles — ☐ Yes
- ☐ Sample Vehicles — ☐ No

## REGISTRANT RECORDS

**Summaries Maintained in Support of Distance:**

☐ Monthly Summaries by Vehicle ☐ Quarterly Summaries by Vehicle ☐ Annual Summaries by Vehicle
☐ Monthly Summaries by Fleet ☐ Quarterly Summaries by Fleet ☐ Annual Summaries by Fleet
☐ None

**Registrant Records Maintained in Support of Distance Reported:**

☐ Driver Trip Sheets/Reports ☐ Driver Logs ☐ Receiving Contracts
☐ Driver Pay Records ☐ Bill of Lading ☐ Freight Bills or Manifests
☐ GPS (hardcopy report) ☐ Other:

**Items Reflected in Distance Source Documents Presented for Examination:**

*Options*

## DISTANCE EXAMINATION:

**Sources Used by Registrant to Determine Distance:**

☐ Odometer Readings ☐ State Map Miles/Kilometers
☐ Hubometer Readings ☐ Standard Distance Guide
☐ Distance Software: ☐ Estimated
☐ GPS ☐ Other:

**Describe Audit Procedures Used to Verify Reported Distance:**

**Describe Methodology Used to Allocate Any Unreported Distance:**

**Note Any Discrepancies Between Monthly or Quarterly Summaries and Registrants Application:**

**Identify Any Vehicles Removed from Fleet and Assessed Full Plate Fee:**

## INTERNAL CONTROLS

**Describe registrant's distance accounting system (flow from driver to renewal application):**

**Describe strengths of internal controls:**

**Describe weaknesses of internal controls:**

**Reliability of internal controls:**

**Were there any changes in registrant's distance accounting system (records, processes, internal controls) during the audit period?**

☐ Yes
☐ No

## AUDIT FINDINGS

## AUDIT RECOMMENDATIONS

## CONFERENCES

**Opening Conference**

**Date of Conference:**

**Persons Attending:**

| **Areas Reviewed During Opening Conference:** | Yes | No |
|---|---|---|

| | | |
|---|---|---|
| Registrant Operations | ☐ | ☐ |
| Registrant Internal Controls | ☐ | ☐ |
| Audit Procedures | ☐ | ☐ |
| Records to be Examined | ☐ | ☐ |
| Sample Period(s) | ☐ | ☐ |
| Sample Procedures | ☐ | ☐ |
| Oregon basing is appropriate | ☐ | ☐ |

**Comments if any of above marked "No":**

**Other details of the conference:**

**Closing Conference (explain if no closing conference was held)**

**Date of Conference:**

**Persons Attending:**

| Areas Reviewed During Closing Conference: | Yes | No |
|---|---|---|
| Discussed audit findings and recommendations as noted above with the registrant. | ☐ | ☐ |
| Provided an overview of the post-audit process. | ☐ | ☐ |
| Discussed 30 day review/response period to the registrant. | ☐ | ☐ |
| Explained registrant's appeal rights. | ☐ | ☐ |

**Comments if any of above marked "No":**

**Other details of the conference:**

## OTHER COMMENTS

**Check all that apply:**

☐ **Registrant waived the 30-day period to provide records.**
☐ **Registrant waived the 30-day audit review and response period.**
☐ **Registrant has had previous audit:**
☐ **Discrepancies were found but not adjusted due to materiality:**
☐ **Special action is required or recommended:**
☐ **Send additional billing to agent on Page 1.**
☐ **Send additional billing(s) to the following address(es):**
☐ **Inadequate Records Assessments: A follow-up audit may be conducted. If records are still inadequate, additional assessments of 50% or 100% of fees paid will be made in an IRP audit.**

**ATTENTION:** _____
**NAME:** _____
**DBA:** _____
**ADDRESS:** _____
**CITY/ST/ZIP:** _____

## APPENDIX 4 – SAMPLE AUDIT BILLING AND APPEAL RIGHTS

Oregon
Tina Kotek, Governor

**Department of Transportation**
Commerce and Compliance Division
455 Airport Road SE, Building A
Salem, OR 97301
www.oregon.gov/ODOT/MCT/

**NOTICE OF INTERNATIONAL REGISTRATION PLAN AUDIT ASSESSMENT - OFFICIAL BILLING**

NOTICE DATE: February 19, 2026
IRP ACCOUNT NO.: [redacted] FLEET NO.: 01 REGISTRATION YEAR: 2025

[redacted]
PO BOX 9
[redacted] OR [redacted]

An audit of your International Registration Plan (IRP) applications has been completed for the time period shown above. The following assessment has been entered against your account as authorized by ORS 825.498, 826.007 and OAR 740-200-0010, and detailed in the attached audit report.

**THE AUDIT WILL BECOME FINAL ON MARCH 23, 2026**

| | | |
|---|---|---|
| INTERSTATE OREGON REGISTRATION FEES | $.00 | |
| REGISTRATION WEIGHT FEES | $.00 | |
| INTRASTATE OREGON REGISTRATION FEES | $.00 | |
| OREGON INADEQUATE RECORDS ASSESSMENT | $.00 | |
| TOTAL OREGON FEES | | $.00 |
| OTHER JURISDICTION REGISTRATION FEES | $.00 | |
| INTRASTATE OTHER JURISDICTION FEES | $.00 | |
| OTHER JURISDICTION INADEQUATE RECORDS ASSESSMENT | $.00 | |
| TOTAL OTHER JURISDICTION FEES | | $.00 |
| OUT OF STATE AUDIT EXPENSE | | $.00 |
| ASSESSMENT TOTAL | | $.00 |
| AMOUNT PAID | | $.00 |
| **TOTAL UNPAID BALANCE** | | $.00 |

**PLEASE READ YOUR APPEAL RIGHTS ON THE BACK OF THIS DOCUMENT**. You have 30 days from the date of this notice to file a petition for reassessment. To appeal, you must specifically identify any objection to the audit and provide documentation to support your objection. Petitions for reassessment must be in writing and RECEIVED in Salem, Oregon on or before 5 p.m. of the final assessment date shown above or your request will be denied. Failure to file a petition for reassessment by the final date of the audit will result in forfeiture of the right to appeal the assessment.

Please pay the above assessment by the final date shown above to avoid collection action on your account. Credit amounts (indicated by "CR") will be applied to any other balances owing the Department. If no other balances are owed, credit amounts may be deducted from your next Highway Use Tax report. If the credit exceeds $100.00, you may request a refund. If this account is included in a bankruptcy, the assessment is only payable as permitted by bankruptcy law. The other jurisdictions in which you are registered will be sent a copy of the audit results. There may be additional penalties or interest charges assessed by those jurisdictions.

[redacted]
(Signature)

**MAIL PAYMENTS TO:**
**ODOT – COMMERCE AND COMPLIANCE DIVISION**
**455 AIRPORT ROAD SE, BUILDING A**
**SALEM, OR 97301**

**PLEASE RETURN A COPY OF THIS NOTICE WITH YOUR PAYMENT**
**SEE REVERSE SIDE FOR ADDITIONAL INFORMATION**

0136a/ 1

## APPEAL AND PAYMENT INFORMATION

### APPEALING THE ASSESSMENT

You may petition for reassessment. A petition is a written request that states you are asking for a reassessment of the audit findings. The request must specifically state the reason(s) why the assessment should be changed and must be signed.

The petition for reassessment MUST BE RECEIVED by ODOT Commerce and Compliance Division, 455 Airport Road SE, Building A, Salem, OR 97301 on or before the date the audit becomes final as shown on the NOTICE OF INTERNATIONAL REGISTRATION PLAN AUDIT ASSESSMENT – OFFICIAL BILLING. Requests may also be faxed to 503- 373-7952. You are advised to confirm that your petition is timely received.

Failure to file a petition for reassessment by the final date of the audit will result in forfeiture of the right to appeal the assessment. Direct any questions to 503-378-6656.

When a petition for reassessment is filed by the final date of the audit, staff will review the petition and reconsider the assessment. The Department file, the audit, and all materials submitted by the party will be designated as the record for the purpose of proving a prima facie case. An attempt will be made to resolve the matter without a hearing.

In the event an agreement is not reached, you have the right to a hearing and to be represented by legal counsel under the Administrative Procedures Act (ORS 183). A request for a Hearing must be submitted in writing and be signed. You will be given at least 10 days notice of the time and place for the hearing. The hearing will be conducted by an Administrative Law Judge. You may be represented by legal counsel at the hearing, legal aid organizations may be able to assist a party with limited financial resources.

If you cannot, or do not plan to, attend a scheduled hearing, you should notify the Office of Administrative Hearings immediately. Failure to appear at a scheduled hearing, or failure to withdraw a request for hearing at least 5 days before the date of the hearing, may result in a charge of $150 in addition to any other fees, taxes, and/or charges which may be imposed under law. Failure to appear at a scheduled hearing may result in a default order dismissing your petition and designating the Department file as the record for the purpose of proving a prima facie case. Further appeal of the assessment within ODOT is forfeited.

The enclosed assessment is also provided to the affected Jurisdictions. Under the IRP Plan Section 1040 (a), jurisdictions shall have 45 days to provide the Base Jurisdiction and the Registrant with written notification of their intent to conduct a reexamination of the records.

### PAYING THE ASSESSMENT

You may pay the assessment at any time. Full payment does not mean you agree with the assessment. If this account is included in a bankruptcy filing, the assessment is only payable as permitted by bankruptcy law.

Mail payments to: ODOT Commerce and Compliance Division, 455 Airport Road SE, Building A, Salem, OR 97301.

### CANCELLATION OF REGISTRATION

An assessment becomes due and payable when it becomes final. If not paid when due, your vehicle registration will be cancelled in all jurisdictions for which you are registered and the other jurisdictions in which you are registered will be notified. Operating without valid registration is subject to citation under each jurisdiction's statutes. If you operate in Oregon without valid registration, you will be subject to citation under ORS 810.530(3). If you employ drivers, they will be subject to citation under ORS 810.530(3) for aiding your violation of ORS 803.315 of operating an unregistered vehicle. You may also be subject to civil monetary forfeiture under ORS 825.950. The Department may also have other remedies to penalize operations without valid registration.

### NOTICE TO ACTIVE DUTY SERVICEMEMBERS:

Active duty servicemembers have a right to stay these proceedings under the federal Servicemembers Civil Relief Act. For more information contact the Oregon State Bar at 800-452-7636, the Oregon Military Department at 503-584-3980 or the nearest United States Armed Forces Legal Assistance Office.
https://nrd.gov/resource/detail/8629495/Armed+Forces+Legal+Services+Locator

International Registration Plan
Summary Schedule

**Registration Name:** [redacted]
**Account Number:**
**WMT File Number:** [redacted]
**Registration Year:** 2025
**Fleet Number:** 01

OREGON DEPARTMENT OF TRANSPORTATION
Commerce and Compliance Division
455 AIRPORT RD SE, BUILDING A
SALEM, OR 97301

| Evaluation of Records | | | Adequate | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | A | B | C | D | E | F | G | H | I | J | K | L |
| | | | | | | | E-B | | G + I | (G/B)*F | | | (H+J+K) |
| Jur | Rpt. Code | Original Miles | Original Percent | Aud. Code | Audit Miles | Audited Percent | Change in Percent | Original Fees | Audited Fees | Change in Fees | Full Fee Vehicles | Inadequate Records Assessment | Total Amount Due |
| CA | A | 548 | 5.392% | A | 548 | 5.392% | 0.000% | 145.00 | 145.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| OR | A | 9,616 | 94.608% | A | 9,616 | 94.608% | 0.000% | 1,048.50 | 1,048.50 | 0.00 | 0.00 | 0.00 | 0.00 |
| Tot 100% | | 10,164 | 100.000% | | 10,164 | 100.000% | 0.000% | $1,193.50 | $1,193.50 | $0.00 | $0.00 | $0.00 | $0.00 |
| Net Fees Due or (Credit) | | | | | | | | | | $0.00 | $0.00 | $0.00 | $0.00 |

| | |
|---|---|
| **TOTAL ADJUSTMENTS ABOVE** | $0.00 |
| **WEIGHT FEES DUE (OREGON WEIGHT ADJUSTMENT SCHEDULE)** | $0.00 |
| **TOTAL AMOUNT DUE** | $0.00 |

[redacted]

1/27/2026
Date

**Jurisdictions with an Aud. Code of "N" are NOT included in the totals.**

## APPENDIX 5 – DETERMINING DISTANCE FOR UNITS WITHOUT RECORDS

### SUFFICIENCY OF RECORDS

When audit of the fleet as a whole can proceed, but the auditor finds records are absent for specific vehicles, this method may be used to determine a fair representation of those vehicles' operations.

(1) Determine the number of months, for which records should have been provided.

- The fleet has 10 vehicles that should have provided records as follows:
- Unit numbers 1-5; in fleet 12 months each = 60 months (5 units x 12 months).
- Unit numbers 6-8; in fleet 9 months each = 27 months (3 units x 9 months).
- Unit numbers 9-10; in fleet 4 months each = 8 months (2 units x 4 months).

Total number of vehicle months for which records should have been provided: 95 vehicle months.

(2) Determine number of months, for which records are missing:

- Unit number 2 missing 12 months of records.
- Unit number 7 missing three months of records.
- Unit number 10 missing two months of records.

Total number of months for which records are missing: 17 months.

(3) Determine number of months for which records have actually been provided:

- 95 (number of months for which records should have been provided).
- 17 (number of months for which records are missing).
- 78 (number of months for which records have actually been provided).

(4) Determine the total documented distance for the fleet. This includes distance for the vehicle(s) with all its records and the distance for the vehicles(s) with partial records. This may or may not agree with the application.

- 763,386 (total documented distance).

(5) Determine average distance per month per vehicle:

- 763,386 (total documented distance).
- 78 (number of months for which records have actually been provided).

Average distance per month per vehicle: 9,787.

(6) Estimate missing distance:

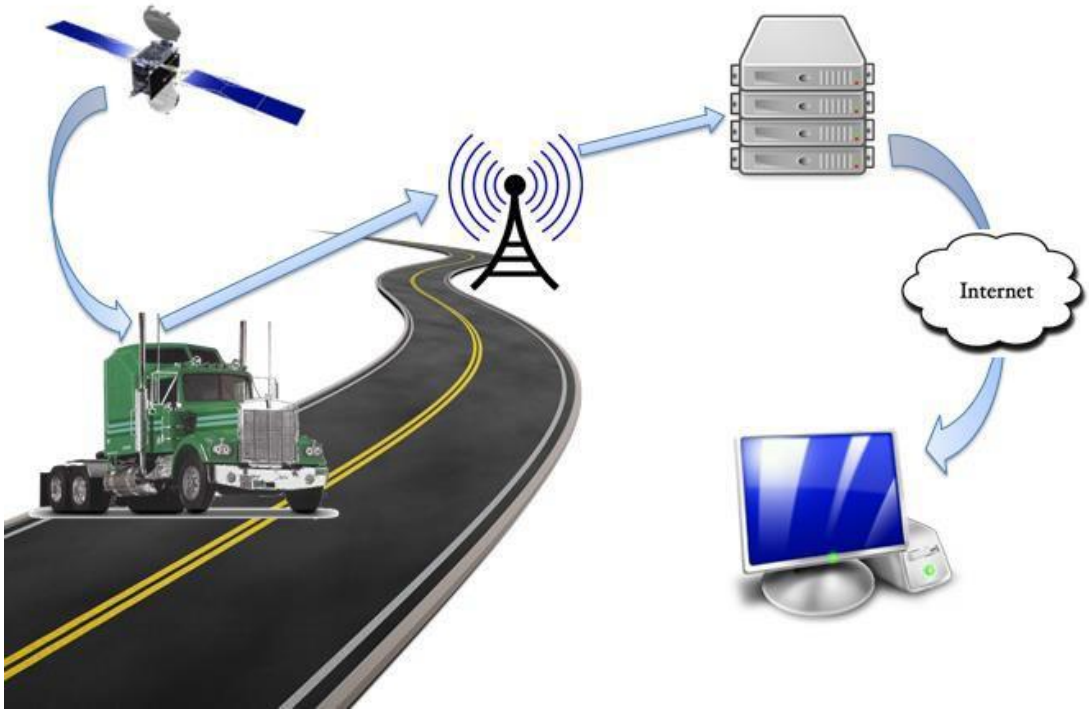
- 9,787 (average distance per month per vehicle).
- x 17 (number of months for which records are missing).

Estimated distance missing: 166,379.

Once the distance is determined, it must be properly allocated. If there is no stratification of the fleet, the total distance would be proportionally allocated per the audited results for the remaining fleet vehicles. That process would impact the jurisdictional distance but not the audited fees. If there is a stratification of operations (i.e., certain vehicles operate in certain areas, etc.) the proper stratum should be determined for the absent vehicles, and their portion of the total distance allocated according to the audited figures for that stratum.

**APPENDIX 6 – AUDITING GPS RECORDS**

## Global Positioning System (GPS)




## Odometer Readings vs GPS

- **Odometers are a mechanical measure**
  - Count tire rotations
  - Can be captured in a variety of manners
    - Electronically by ECM
    - Hand entered by driver at fuel stops
    - Hand written by driver on paper
  - Susceptible to wear and tear / breakdowns
  - Can be mis-calibrated (adjustment and/or tire size)



- **GPS readings**
  - Ping frequency can affect accuracy
  - Missing GPS data (gaps) causes errors
  - "Bad" pings happen
  - Mileage programs differ in interpreting GPS data (ALK's PC*Miler, Rand McNally, ProMiles, etc)



The list of acceptable data elements for electronic recordkeeping in Plan Section 1010 have changed effective 1/1/2024 as a result of IRP Ballot 446 – "Standardization of Electronic Audit Records". The following guidelines continue to be useful for auditors when determining the frequency of ping data to use for testing.

## GPS "Ping" Frequency

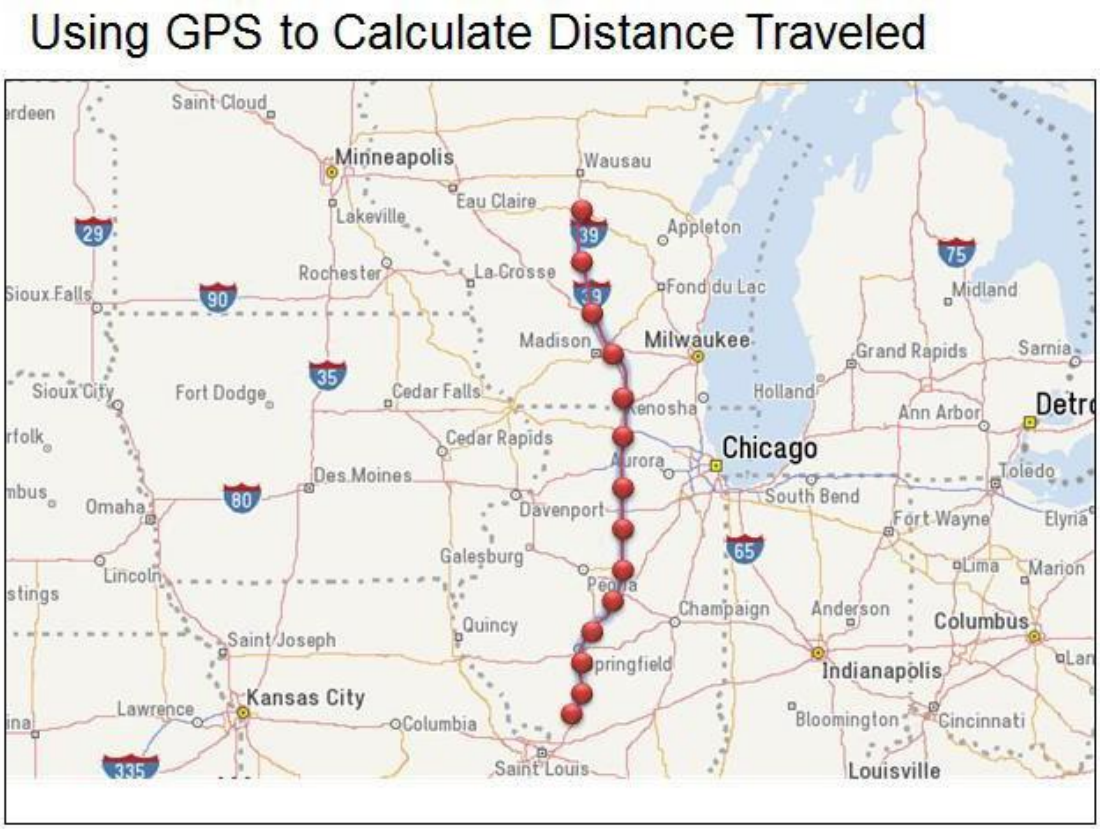
1. What ping frequency is required to ensure accuracy? Several factors influence ping frequency.
2. Length of Trip
   - Longer trips require less frequent pings
   - One hour pings seem to work fine on average trip lengths over 200 miles
   - Short-haul and local distribution fleets require more frequent pings – 15 minutes recommended
3. Pings at loading and unloading points reduce the need for high ping frequency
   - Empty and ready status messages peg destinations
   - Loaded and departing status messages peg origins



## Recommendations for GPS Audits

1. Remain flexible when testing against odometer reading
   - Remember odometer readings are not perfect
   - Carefully evaluate the source of odometer readings; drivers often "guess" or "round" readings
2. Remember that as newer GPS systems become more widespread, (with odometer readings for each GPS ping) automated normalization will become the standard

**Each dot on the map below reflects a latitude/longitude point from the GPS printout below it.**




Using GPS to Calculate Distance Traveled

Sample Trucking

Period: 6/1/2013 - 6/30/2013

Units: Miles

Route Detail For Tractor 100

| Date | Latitude | Longitude | Nearest Place | Distance |
|---|---|---|---|---|
| 6/2/2013 06:00:00 AM | 45.1490 | 89.6435 | 2.9 SE Merrill, WI, Lincoln | 2.8 |
| 6/2/2013 07:45:00 AM | 43.9447 | 89.4850 | 4.2 N Westfield, WI, Marquette | 90.5 |
| 6/2/2013 08:15:00 AM | 43.4899 | 89.4951 | 3.8 SW Portage, WI, Columbia | 33.2 |
| 6/2/2013 08:45:00 AM | 43.0657 | 89.2779 | 1.9 NE Monona, WI, Dane | 32.9 |
| 6/2/2013 09:15:00 AM | 42.6995 | 88.9841 | 2.8 E Janesville, WI, Rock | 33.0 |
| 6/2/2013 09:45:00 AM | 42.2784 | 88.9650 | 4.8 E Machesney Park, IL, Winnebago | 29.9 |
| 6/2/2013 10:50:10 AM | 41.9337 | 89.0359 | 1.8 E Rochelle, IL, Ogle | 26.5 |
| 6/2/2013 11:15:00 AM | 41.6186 | 89.0615 | 0.7 SE Welland, IL, Lee | 23.9 |
| 6/2/2013 11:45:00 AM | 41.1970 | 89.0767 | 1.4 SW Tonica, IL, La Salle | 30.0 |
| 6/2/2013 01:30:22 PM | 40.3104 | 89.1682 | 0.3 S Mclean, IL, Mclean | 68.1 |
| 6/2/2013 02:00:00 PM | 40.1127 | 89.4167 | 1.3 N Fogarty, IL, Logan | 22.8 |
| 6/2/2013 02:30:00 PM | 39.7451 | 89.6291 | 4.4 SE Southern View, IL, Sangamon | 30.2 |
| 6/2/2013 05:30:18 PM | 39.5909 | 89.6527 | 1.8 N Cimic, IL, Sangamon | 11.8 |
| 6/3/2013 12:00:18 AM | 39.5910 | 89.6526 | 1.8 N Cimic, IL, Sangamon | 0.0 |

**The mapping process shown above, enabled the creation of the tractor summary and route detail below.**

## Sample Trucking

### Miles By State For Tractor 100

| Date | Total Miles | IL | IN | MO | WI |
|---|---|---|---|---|---|
| 6/1/2013 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 6/2/2013 | 513.8 | 228.6 | 0.0 | 0.0 | 285.2 |
| 6/3/2013 | 259.9 | 234.3 | 0.0 | 25.6 | 0.0 |
| 6/4/2013 | 524.1 | 161.4 | 0.0 | 0.0 | 362.7 |
| 6/5/2013 | 538.7 | 263.6 | 0.0 | 0.0 | 275.1 |
| 6/6/2013 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 6/7/2013 | 159.3 | 0.0 | 0.0 | 0.0 | 159.3 |
| 6/8/2013 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 6/9/2013 | 488.5 | 311.8 | 0.0 | 12.3 | 164.4 |
| 6/10/2013 | 517.6 | 301.4 | 0.0 | 56.6 | 159.6 |
| 6/11/2013 | 229.5 | 0.0 | 0.0 | 0.0 | 229.5 |
| 6/12/2013 | 562.8 | 171.4 | 129.4 | 0.0 | 262.0 |
| 6/13/2013 | 401.4 | 0.0 | 0.0 | 0.0 | 401.4 |
| 6/14/2013 | 677.3 | 221.2 | 0.0 | 0.0 | 456.1 |
| 6/15/2013 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 6/16/2013 | 85.4 | 0.0 | 0.0 | 0.0 | 85.4 |
| 6/17/2013 | 439.6 | 209.5 | 0.0 | 0.0 | 230.1 |
| 6/18/2013 | 451.4 | 0.0 | 0.0 | 0.0 | 451.4 |
| 6/19/2013 | 350.9 | 216.6 | 0.0 | 0.0 | 134.3 |
| 6/20/2013 | 573.6 | 0.0 | 0.0 | 0.0 | 573.6 |
| 6/21/2013 | 491.1 | 234.7 | 0.0 | 0.0 | 256.4 |
| 6/22/2013 | 513.7 | 0.0 | 0.0 | 0.0 | 513.7 |
| 6/23/2013 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 6/24/2013 | 355.7 | 44.5 | 0.0 | 0.0 | 311.2 |
| 6/25/2013 | 363.0 | 123.1 | 0.0 | 0.0 | 239.9 |
| 6/26/2013 | 384.8 | 93.7 | 0.0 | 0.0 | 291.1 |
| 6/27/2013 | 496.1 | 137.2 | 0.0 | 0.0 | 358.9 |
| 6/28/2013 | 473.0 | 233.7 | 0.0 | 0.0 | 239.3 |
| 6/29/2013 | 328.8 | 0.0 | 0.0 | 0.0 | 328.8 |
| 6/30/2013 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 10,180.0 | 3,186.7 | 129.4 | 94.5 | 6,769.4 |

## Sample Trucking

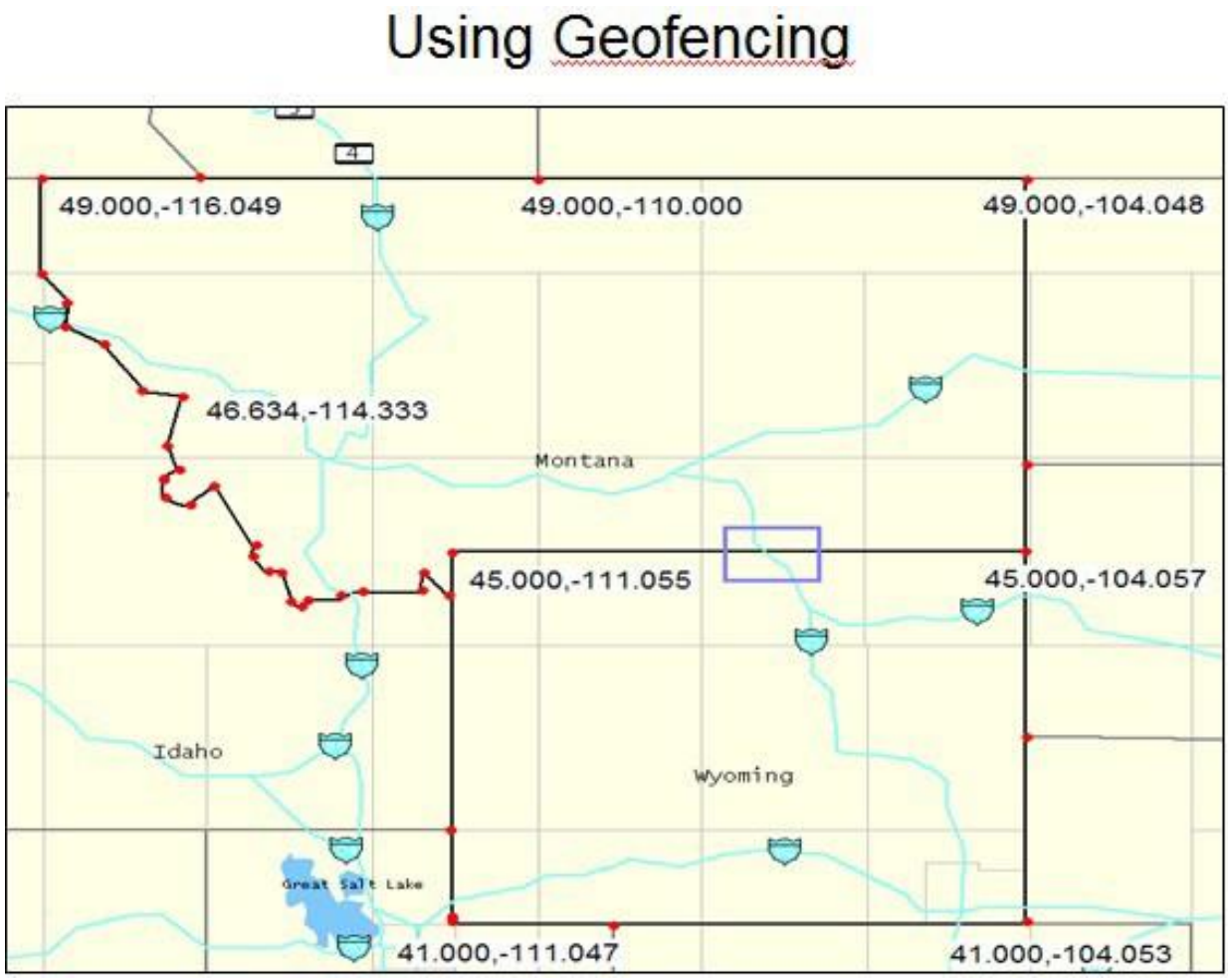
Period: 6/1/2013 - 6/30/2013

Units: Miles

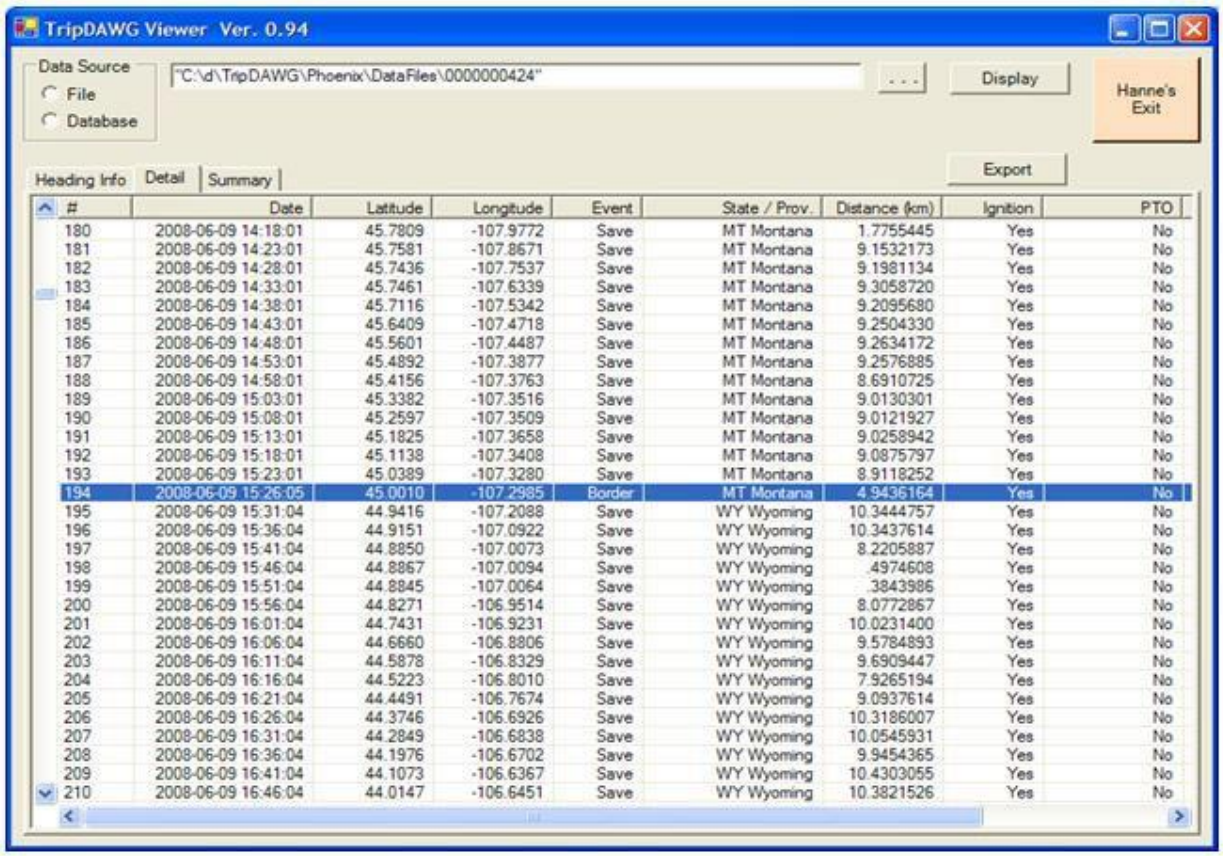
### Route Detail For Tractor 100

| Date | Latitude | Longitude | Nearest Place | Distance | Odometer |
|---|---|---|---|---|---|
| 6/2/2013 06:00:00 AM | 45.1490 | 89.6435 | 2.9 SE Merrill, WI, Lincoln | 2.8 | 373675.7 |
| 6/2/2013 07:45:00 AM | 43.9447 | 89.4850 | 4.2 N Westfield, WI, Marquette | 90.5 | |
| 6/2/2013 08:15:00 AM | 43.4899 | 89.4951 | 3.8 SW Portage, WI, Columbia | 33.2 | |
| 6/2/2013 08:45:00 AM | 43.0657 | 89.2779 | 1.9 NE Monona, WI, Dane | 32.9 | |
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| 6/2/2013 10:50:10 AM | 41.9337 | 89.0359 | 1.8 E Rochelle, IL, Ogle | 26.5 | |
| 6/2/2013 11:15:00 AM | 41.6186 | 89.0615 | 0.7 SE Welland, IL, Lee | 23.9 | |
| 6/2/2013 11:45:00 AM | 41.1970 | 89.0767 | 1.4 SW Tonica, IL, La Salle | 30.0 | |
| 6/2/2013 01:30:22 PM | 40.3104 | 89.1682 | 0.3 S Mclean, IL, Mclean | 68.1 | |
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| 6/3/2013 12:00:18 AM | 39.5910 | 89.6526 | 1.8 N Cimic, IL, Sangamon | 0.0 | 374,108.5 |

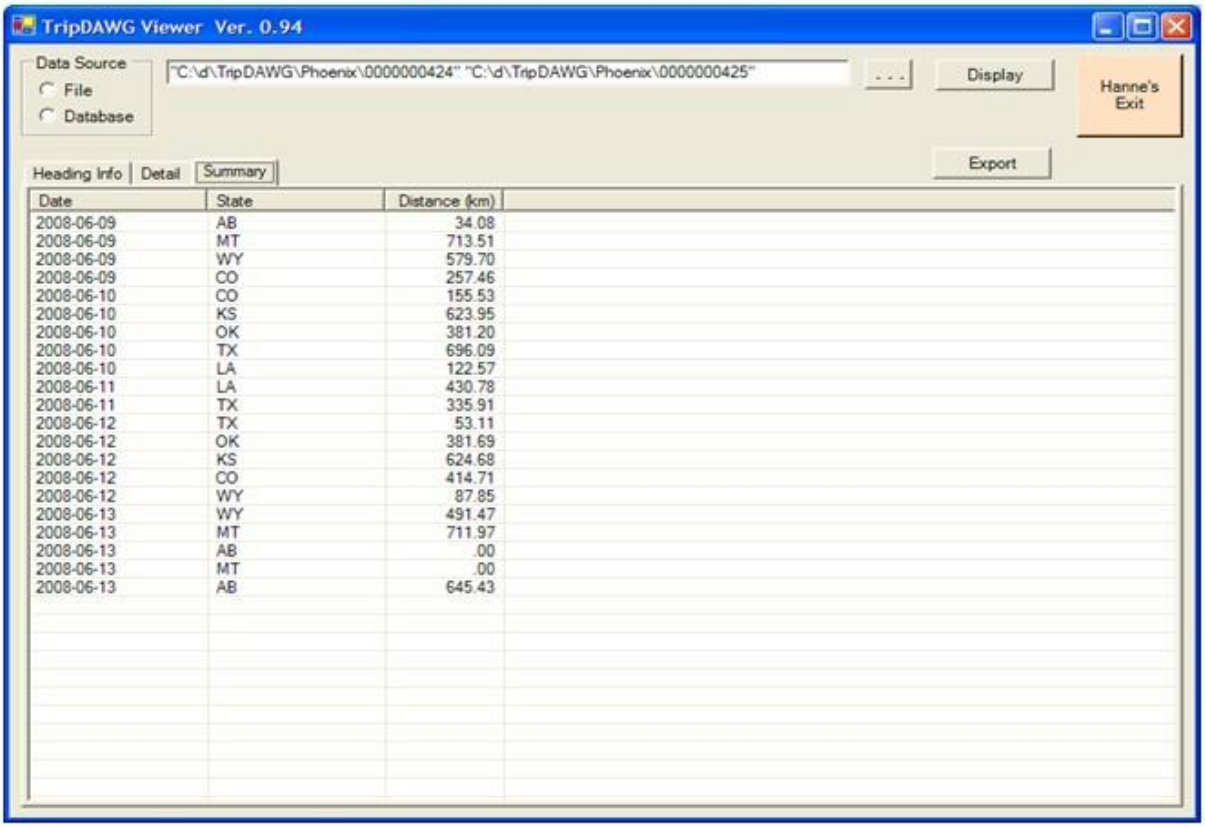
**Geo-fencing is a process that uses the GPS or radio frequency identification (RFID) to define geographical borders. A geo-fence is a virtual barrier established by the system, and if the object – in this case a vehicle – tied to that barrier exceeds those limitations, it prompts some type of alert (alarm, text message, etc.) to the system manager regarding the breach.**



**Here are examples of the types of reports the system may generate for the activity. The first reflects the actual distance data generated, and the 2nd is a summary report by jurisdiction.**




| # | Date | Latitude | Longitude | Event | State / Prov. | Distance (km) | Ignition | PTO |
|---|---|---|---|---|---|---|---|---|
| 180 | 2008-06-09 14:18:01 | 45.7809 | -107.9772 | Save | MT Montana | 1.7755445 | Yes | No |
| 181 | 2008-06-09 14:23:01 | 45.7581 | -107.8671 | Save | MT Montana | 9.1532173 | Yes | No |
| 182 | 2008-06-09 14:28:01 | 45.7436 | -107.7537 | Save | MT Montana | 9.1981134 | Yes | No |
| 183 | 2008-06-09 14:33:01 | 45.7461 | -107.6339 | Save | MT Montana | 9.3058720 | Yes | No |
| 184 | 2008-06-09 14:38:01 | 45.7116 | -107.5342 | Save | MT Montana | 9.2095680 | Yes | No |
| 185 | 2008-06-09 14:43:01 | 45.6409 | -107.4718 | Save | MT Montana | 9.2504330 | Yes | No |
| 186 | 2008-06-09 14:48:01 | 45.5601 | -107.4487 | Save | MT Montana | 9.2634172 | Yes | No |
| 187 | 2008-06-09 14:53:01 | 45.4892 | -107.3877 | Save | MT Montana | 9.2576885 | Yes | No |
| 188 | 2008-06-09 14:58:01 | 45.4156 | -107.3763 | Save | MT Montana | 8.6910725 | Yes | No |
| 189 | 2008-06-09 15:03:01 | 45.3382 | -107.3516 | Save | MT Montana | 9.0130301 | Yes | No |
| 190 | 2008-06-09 15:08:01 | 45.2597 | -107.3509 | Save | MT Montana | 9.0121927 | Yes | No |
| 191 | 2008-06-09 15:13:01 | 45.1825 | -107.3658 | Save | MT Montana | 9.0258942 | Yes | No |
| 192 | 2008-06-09 15:18:01 | 45.1138 | -107.3408 | Save | MT Montana | 9.0875797 | Yes | No |
| 193 | 2008-06-09 15:23:01 | 45.0389 | -107.3280 | Save | MT Montana | 8.9118252 | Yes | No |
| 194 | 2008-06-09 15:26:05 | 45.0010 | -107.2985 | Border | MT Montana | 4.9436164 | Yes | No |
| 195 | 2008-06-09 15:31:04 | 44.9416 | -107.2088 | Save | WY Wyoming | 10.3444757 | Yes | No |
| 196 | 2008-06-09 15:36:04 | 44.9151 | -107.0922 | Save | WY Wyoming | 10.3437614 | Yes | No |
| 197 | 2008-06-09 15:41:04 | 44.8850 | -107.0073 | Save | WY Wyoming | 8.2205887 | Yes | No |
| 198 | 2008-06-09 15:46:04 | 44.8867 | -107.0094 | Save | WY Wyoming | .4974608 | Yes | No |
| 199 | 2008-06-09 15:51:04 | 44.8845 | -107.0064 | Save | WY Wyoming | .3843986 | Yes | No |
| 200 | 2008-06-09 15:56:04 | 44.8271 | -106.9514 | Save | WY Wyoming | 8.0772867 | Yes | No |
| 201 | 2008-06-09 16:01:04 | 44.7431 | -106.9231 | Save | WY Wyoming | 10.0231400 | Yes | No |
| 202 | 2008-06-09 16:06:04 | 44.6660 | -106.8806 | Save | WY Wyoming | 9.5784893 | Yes | No |
| 203 | 2008-06-09 16:11:04 | 44.5878 | -106.8329 | Save | WY Wyoming | 9.6909447 | Yes | No |
| 204 | 2008-06-09 16:16:04 | 44.5223 | -106.8010 | Save | WY Wyoming | 7.9265194 | Yes | No |
| 205 | 2008-06-09 16:21:04 | 44.4491 | -106.7674 | Save | WY Wyoming | 9.0937614 | Yes | No |
| 206 | 2008-06-09 16:26:04 | 44.3746 | -106.6926 | Save | WY Wyoming | 10.3186007 | Yes | No |
| 207 | 2008-06-09 16:31:04 | 44.2849 | -106.6838 | Save | WY Wyoming | 10.0545931 | Yes | No |
| 208 | 2008-06-09 16:36:04 | 44.1976 | -106.6702 | Save | WY Wyoming | 9.9454365 | Yes | No |
| 209 | 2008-06-09 16:41:04 | 44.1073 | -106.6367 | Save | WY Wyoming | 10.4303055 | Yes | No |
| 210 | 2008-06-09 16:46:04 | 44.0147 | -106.6451 | Save | WY Wyoming | 10.3821526 | Yes | No |




| Date | State | Distance (km) |
|---|---|---|
| 2008-06-09 | AB | 34.08 |
| 2008-06-09 | MT | 713.51 |
| 2008-06-09 | WY | 579.70 |
| 2008-06-09 | CO | 257.46 |
| 2008-06-10 | CO | 155.53 |
| 2008-06-10 | KS | 623.95 |
| 2008-06-10 | OK | 381.20 |
| 2008-06-10 | TX | 696.09 |
| 2008-06-10 | LA | 122.57 |
| 2008-06-11 | LA | 430.78 |
| 2008-06-11 | TX | 335.91 |
| 2008-06-12 | TX | 53.11 |
| 2008-06-12 | OK | 381.69 |
| 2008-06-12 | KS | 624.68 |
| 2008-06-12 | CO | 414.71 |
| 2008-06-12 | WY | 87.85 |
| 2008-06-13 | WY | 491.47 |
| 2008-06-13 | MT | 711.97 |
| 2008-06-13 | AB | .00 |
| 2008-06-13 | MT | .00 |
| 2008-06-13 | AB | 645.43 |

The reports or information required for conducting a GPS audit include the following:

a) Vehicle summary;
b) Exception report – usually identifies anomalies; for example, a ping in a location impossible for the vehicle to travel under the relative time constraints;
c) Departure and arrival details;
d) Beginning / ending odometer readings;
e) Location points where the latitude / longitude is captured.

Odometer readings may be:

a) Manually recorded by the driver;
b) Automatically captured by the system via the Engine Control Module (ECM);
c) Captured when fueling or performing routine maintenance.

Understand the system by asking viable questions:

a) How often are the GPS recording points saved? The hardware device may ping the system every 15 seconds, but that does not mean all of that data is recorded.
b) What method is used to calculate the jurisdictional distance?
c) How is the distance distributed among the jurisdictions?
d) Are the Exception Reports treated? In other words, has the original data been modified? If so, how?
e) What internal controls do the hardware and/or software offer?
f) Can altering of the original data be prevented?
g) Is any of the GPS data being modified?
h) If so, what data and why?

Types of Source Differences:

a) Human error – incorrect odometer keyed, system installed incorrectly, error in processing the system data, appropriate corrections based on the exception reports were not made.
b) Material error – broken hardware, communication loss between satellite and module or module and software system.

**Appendix 7**

*This is a sample GPS questionnaire. Jurisdictions can choose to use this document or use any of the questions to update their existing document.*

# GPS Questionnaire

**Carrier name:** _____

**About the device:**

What type of vehicle tracking system is in use? _____

Do all units use the same type of system? Yes No

Was the same vehicle tracking system utilized throughout the entire audit period? Yes No

If no, please list the dates that each system was used.

_____

_____

Is the device portable/easily removable or permanently installed? _____

Is the device connected to the Engine Control Module (ECM)? Yes No

Does the unit rely on the vehicle's battery for power? Yes No

If the units are portable and/or can be removed from the ECM, please list any reasons for removal or if they are ever swapped amongst vehicles?

_____

_____

When were the device(s) installed?

Can the driver defeat, edit, or tamper with the vehicle tracking system? Yes No

If yes, please explain: _____

Are there any units not equipped with a vehicle tracking device? Please provide a listing of units, (by unit number) without GPS.

_____

_____

**About the device settings and system output:**

What information (raw data, breadcrumbs, etc.) is the vehicle tracking system recording?

- ____Vehicle identification number or unit number
- ____Date and time of reading
- ____Latitude/Longitude
- ____Odometer readings
- ____Calculated distance between latitude/longitude points
- ____Routes of travel
- ____Total distance traveled by the vehicle
- ____Distance traveled in each jurisdiction

How often does the vehicle tracking system record the unit's location(pings)?_____

How does the vehicle tracking system calculate distance? _____

Is other computer software used in addition to or in conjunction with the tracking system, that calculates distance and/or fuel? Yes No

If so, what type of software is used ? _____

Was the device calibrated to the odometer reading? Yes No

Is a physical check of the dashboard odometer reading recorded and compared to the system odometer reading? Yes No

If yes, how often? _____

Does the system provide alerts when the device does not receive a signal from a unit or if there is a problem with the signal? Yes No

Can exception reports be generated and printed? Yes No

What are the procedures or policies for recording distance information if the system were to malfunction?

_____

_____

Are adjustments made by the carrier to information provided by the system? If yes, please explain:

_____

_____

**Data Retention:**

What reports are used to prepare reported information? _____

How long are reports retained? _____

How long does the system store and allow retrieval of prior periods (printed/ non-printed) reports and data?

_____

In what format is data retained? ___Printed ___Electronic

If electronic records maintained, in what format?_____Excel_____PDF_____CSV____Other: _____

**Indicate the records being provided for audit:**

___Detailed reports (raw data, breadcrumb, etc.) per Unit

___Summaries of jurisdictional distance:

___By Unit:_____Daily_____Monthly_____Quarterly

___By Fleet:_____Daily_____Monthly_____Quarterly

**Additional Information:**

_____

_____

## APPENDIX 8A – RECORDS REVIEWS: Sample Notification Letter

Date

Attn:
Company
Address
City, State ZIP

Dear Registrant,

RE: Records Review Notification: IRP Account #: X-XXXXX-01; IFTA Account #: XXXXXXXXXXX

The State of XX, as a member of the International Registration Plan (IRP) and International Fuel Tax Agreement (IFTA), has implemented a Records Review program as a service to our new carriers. A voice mail message was left for you earlier today regarding this program. The goal is to ensure you are aware of the documentation necessary to comply with the IFTA and IRP; your cooperation is both appreciated and encouraged.

Please submit all mileage and fuel records (i.e., trip sheets or other mileage records, fuel documentation, recaps, etc.) you maintained for the calendar month indicated below. You may submit the information by regular mail or electronically via email. If you will be mailing and do not want to submit your original documents, please make sure you provide **legible copies**.

***June 2016***

The information should be received no later than **Date**. Upon receipt, the records will be reviewed for compliance. Once evaluated, a report of the findings will be issued to you; any documentation you mailed - whether originals or copies - will be returned. It is important to note that **NO FEES OR TAXES WILL BE ASSESSED AS A RESULT OF THIS REVIEW**. Although not anticipated, in the event no records are provided, a report of non-compliance will be issued under the assumption no records are maintained.

Enclosed, you will find an IRP / IFTA Questionnaire; please complete the form and return it with your records to the address (mail or email) indicated below. The completed form will assist in evaluating your current record keeping system and recommending any necessary improvements. You are encouraged to contact me upon receipt of this information if you have any questions/concerns.

Regards,

Auditor's Name, Title
Address
City, State ZIP
Telephone
email address

Enclosures

## APPENDIX 8B – RECORDS REVIEWS: Sample Program

**XXX RECORDS REVIEW PROGRAM**

**General Steps for IFTA and IRP Records Reviews**

For internal use only

Name of Licensee:

XXX Identification Number:

| WP REF | PROGRAM STEPS | COMMENTS | AUDITOR |
|---|---|---|---|
| | The objective of the IFTA/IRP records review is to determine whether the licensee's distance and fuel source documents are sufficient and appropriate to comply with the record-keeping requirements set forth by the International Fuel Tax Agreement (IFTA) and the International Registration Plan (IRP), and to determine whether the internal controls are sufficient for reporting the correct distance and fuel for IFTA and IRP. | | |
| | I. PRELIMINARY PROCEDURES: | | |
| | Determine if this records review is a regular records review or a post-audit records review. | | |
| | A. If a regular records review, contact licensee by telephone to schedule the date of the records review thirty (30) days in advance. Send the *Records Review Notification Letter* and the *List of Records Required for Records Review.* The review period will always be for the most recent quarter. | | |
| | B. If a post-audit records review, examine the audit files to determine the scheduled date for the records review. Contact the licensee by telephone one week in advance as a reminder of the upcoming records review. | | |
| | II. EXAMINATION AND EVALUATION OF LICENSEE'S SOURCE DOCUMENTS AND INTERNAL CONTROLS: | | |
| | A. Examine the records provided by the licensee while completing the *IFTA/IRP Records Review Checklist.* | | |
| | B. Based on completion of the *IFTA/IRP Records Review Checklist*, determine whether the licensee's overall source documents were sufficient and appropriate to comply with the IFTA/IRP record-keeping requirements, and whether the internal controls were sufficient for reporting the correct distance and fuel for IFTA and IRP. List any deficiencies in the distance and/or fuel source documents, and any weaknesses in the internal controls. | | |
| | C. Copy samples of the carrier's miles and fuel documents. | | |
| | III. SUMMARY WORK: | | |
| | A. Prepare the *Notice of Record-keeping Requirements for IFTA/IRP* and list the specific items that the licensee | | |

| | | | |
|---|---|---|---|
| | needs to improve (if any) under the OTHER INFORMATION section. Discuss these recommendations and the results of the records review with the licensee by telephone or in person. Provide sample forms as needed.<br><br>*B.* Write the *Records Review Results Letter.*<br><br>*C.* Send the licensee the *Records Review Results Letter*, the *Notice of Record-keeping Requirements for IFTA/IRP*, and the *IFTA/IRP Records Review Checklist.*<br><br>D. Complete the *XXX Records Review Program*, and then save the records review files to the S:/ drive. | | |

## APPENDIX 8C – RECORDS REVIEWS: Sample Report 1

TP name, Title
d/b/a if any
Mailing address
City, State zip
(XXX) XXX-XXXX

IFTA License Number: ALXXXXXXXXXX
IRP Account Number: X-XXXX-XX

**RECORDS EVALUATION**

**Type of Operation:**

- ☐ Common Carrier
- ☐ Contract Carrier
- ☐ For Hire Exempt
- ☐ For Hire Rental
- ☐ For Hire
- ☐ Private

**Commodity Class:**

- ☐ All
- ☐ Exempt
- ☐ Household Goods
- ☐ Logs
- ☐ Passengers

**Source Documents Maintained in Support of Miles:**

- ☐ Trip Reports (IVDR's)
- ☐ Driver's Daily (DOT) Logs
- ☐ Receiving Contract
- ☐ Driver Pay Records
- ☐ Freight Bills or Manifest
- ☐ Electronic Tracking Data
- ☐ Other: _____

**Items Reflected in Mileage Source Documents:**

- ☐ Date of Trip (Begin & End)
- ☐ Trip Origin & Destination
- ☐ Carrier's Name
- ☐ Route of Travel
- ☐ Vehicle Identification Number
- ☐ Fleet Number
- ☐ Begin & End Odometer Reading
- ☐ Distance by Jurisdiction
- ☐ Driver's Name
- ☐ Total Trip Distance
- ☐ Date/time of GPS Readings
- ☐ Location of each GPS Reading

**Source(s) Used by Carrier To Determine Miles:**

- ☐ Odometer Readings
- ☐ Hubodometer Readings
- ☐ Distance Software
- ☐ State Maps
- ☐ Standard Mileage Guide
- ☐ Estimated
- ☐ Other: _____

**Summaries Maintained in Support of Mileage:**

- ☐ Monthly Summaries by Vehicle
- ☐ Quarterly Summaries by Vehicle
- ☐ Annual Summaries by Vehicle
- ☐ Monthly Summaries by Fleet
- ☐ Quarterly Summaries by Fleet
- ☐ Annual Summaries by Fleet

**Auditor's Evaluation of Maintenance of Distance Records:**

- ☐ Adequate
- ☐ Inadequate

**Source Documents Maintained in Support of Fuel:**

- ☐ Individual Purchase Invoices
- ☐ Bulk Storage Purchase Invoices
- ☐ Vehicle Fuel Logs
- ☐ Vendor Summary Invoices
- ☐ Bulk Fuel Reconciliation
- ☐ Bulk Storage Withdrawal Logs
- ☐ 3rd Party Invoices (Comdata, EFS, etc.)
- ☐ Other: _____

**Items Reflected in Fuel Source Document(s):**

- ☐ Date of Purchase
- ☐ Fuel Type
- ☐ Seller's Name and Address
- ☐ Purchaser's Name
- ☐ Vehicle Identification Number
- ☐ Quantity Purchased
- ☐ Date of Withdrawal
- ☐ Price Per Gallon
- ☐ Tax Paid
- ☐ Other: _____

**Summaries Maintained in Support of Fuel:**

- ☐ Monthly Summaries by Vehicle
- ☐ Quarterly Summaries by Vehicle
- ☐ Annual Summaries by Vehicle
- ☐ Monthly Summaries by Fleet
- ☐ Quarterly Summaries by Fleet
- ☐ Annual Summaries by Fleet

**Auditor's Evaluation of Maintenance of Fuel Records:**

- ☐ Adequate
- ☐ Inadequate

Comments on Evaluation: Several of the required elements are not reflected in the source documents. The reader is directed to the "Recommendations" section of this report.

**Taxpayer Information:** Mr. Semi hauls for hire and is engaged in the business of transporting grain and chicken litter. The business operations are based from his home in Wherever, XXX. Mr. Semi's initial operations commenced February 4, 2016; the fleet includes a single vehicle registered at 80,000 pounds. The vast majority of the operations are confined to the base jurisdiction.

**Contact:** Mr. Semi, President, was contacted by telephone on August 2, 2016 regarding the records review process, which was discussed at that time. A confirmation letter, IRP / IFTA questionnaire and record keeping requirements document were subsequently mailed to his attention. Records were requested for the calendar month of July 2016 and were delivered in person on August 16, 2016 at 9:00 a.m.

**Evaluation of Internal Controls:** Mr. Semi provided the notebooks used to document his travel. In some instances, the recorded information reflected trip dates, odometer readings and origin/destination details. In others, only the odometer was recorded. All fuel is either purchased over the road or from a local store, and limited fuel documentation in the form of three (3) receipts was submitted. Considering no one verifies the recorded mileage or reconciles the odometer, there is a high probability of incorrect reporting. Additionally, quarterly summaries are not prepared, as required. A single set of IFTA decals was purchased.

After discussion, it was evident the 2Q, 2016 return had been estimated using a pre-determined miles-per-gallon (MPG) factor of 5.00. Additionally, the reported distance was rounded. Mr. Semi indicated all activity was confined to the base jurisdiction that quarter, at which time he was reminded that travel in more than one (1) jurisdiction was necessary in order to qualify for IFTA/IRP. He indicated he had secured credentials due to his close proximity to neighboring jurisdictions.

**Distance Analysis:** The notebook used to document the travel reflected no activity prior to July 8th. Mr. Semi indicated the significant rainfall had prevented operations prior to that date. None of the recorded locations supported travel outside the base. The odometer readings reflected occasional gaps from page to page; however, it is noted that the monthly summary reflected the total odometer mileage. Considering the often limited information, a single trip where all details were present was tested per ProMiles® XF v.16 (PM) software; the results were comparable to the recorded odometer mileage.

**Fuel Analysis:** The fuel documentation was sparse and incomplete. A receipt from a local mom and pop store did not reflect the vendor's information, price per gallon or quantity. Pre-paid receipts reflected all required information except the price per gallon or quantity. Several purchases recorded in the notebook were not documented by receipts; they had either been lost or misplaced. The calculated MPG (7.45) factor further supported the fuel documentation was incomplete.

**Recommendations:** After a thorough review, the record review process reflected several deficiencies. Accordingly, the following recommendations should be implemented immediately.

- Distance records containing the following elements, per trip, will be accepted as adequate if they substantially cover the operations: the beginning and ending dates, the origin and destination, the route of travel, the beginning and ending odometer (hubometer, ECM, etc.) reading, the total distance, the distance per jurisdiction and the vehicle identifier.
- Acceptable fuel documentation includes receipts, vendor transaction listings, credit card statements, etc. that reflect the purchase date, vendor's name and location, carrier's name, vehicle identifier, fuel type, quantity purchased and either the price per gallon or total price.
- Quarterly vehicle summaries/recaps of all distance traveled and fuel purchased in each jurisdiction must be prepared, at a minimum.
- Rounding to the nearest 10 miles is not an acceptable practice; actual distance must be captured/reported.
- For IRP, the records used to support the information reported for the current and previous three (3) registration years must be maintained. For IFTA, all supporting documentation must be retained for a period of four (4) years from the date a return is due or filed, whichever is later.

Incorporating the above recommendations into the current system will ensure the calculation of accurate fees and fuel taxes going forward, while supporting an adequate rating if ever selected for audit. Please feel free to use the contact information below for any questions/concerns.

_____

Auditor, Title Date
Address / Email

## APPENDIX 8C – RECORDS REVIEWS: Sample Report 2 (Acceptable Records)

November 4, 2023

Mr. Eugene Poorrecords
Mad Cow Trucking, Inc.
P.O. Box 9955
Keystone, XXXX 68124-5001

Dear Mr. Poorrecords:

**RE: IFTA/IRP Records Review Results**

IFTA Identification Number: XX470111222
IRP Identification Number: 0000

I have reviewed your distance and fuel records for the (quarter) records review (or post-audit records review). Your records were found to be acceptable. Please note the enclosed *IFTA/IRP Records Review Checklist*.

I have also enclosed a copy of the *Notice of Record-keeping Requirements for IFTA/IRP*. Please call me if you have any questions, at XXX-XXX-XXXX or email XXX@XX.gov. Thank you for your cooperation.

Sincerely,

Auditor's Name
Senior Auditor

Enclosures

## APPENDIX 8C – RECORDS REVIEWS: Sample Report 3 (Non-Compliant Records)

November 4, 2023

Mr. Eugene Poorrecords
Mad Cow Trucking, Inc.
P.O. Box 9955
Keystone, XX 68124-5001

Dear Mr. Poorrecords:

**RE: IFTA/IRP Records Review Results**

IFTA Identification Number: XX470111222
XX Identification Number: 0000

Due to the absence of odometer readings and a quarterly summary for the 3rd Qtr., 2015 records review, your records were not in compliance with IFTA/IRP record-keeping requirements. Please note the deficiencies listed on the enclosed *IFTA/IRP Records Review Checklist*. If these problems are not corrected, they could result in additional tax and registration fees in a future audit.

I have also enclosed a copy of the *Notice of Record-keeping Requirements for IFTA/IRP*. Please call me if you have any questions, at XXX-XXX-XXXX or email XXX@XX.gov. Thank you for your cooperation.

Sincerely,

Auditor's Name
Senior Auditor

Enclosures

## APPENDIX 8D – RECORDS REVIEWS: Checklist

### IFTA/IRP RECORDS REVIEW CHECKLIST

**Licensee:** _____ **Identification Number:** _____

**Address:** _____ **Contact Name:** _____

_____ **Telephone Number:** _____

_____

**Records Review Period:** _____ **Test Month Examined:** (if applicable) _____

**Date(s) of Records Review:** _____

**List of Documents Reviewed in Support of Distance:**

**Method Used by Licensee to Determine Distance:**

**List of Documents Reviewed in Support of Over-the-Road Fuel Purchases:**

**List of Documents Reviewed in Support of Bulk Fuel Purchases/Usage:**

**Method Used by Licensee to Determine Fuel:**

**Were all IFTA decals accounted for?** YES NO

| **AUDITOR'S EVALUATION:** ("X" appropriate boxes) | | YES | NO | NOT APPLICABLE |
|---|---|---|---|---|
| 1. | The licensee prepared unit specific monthly or quarterly distance summaries, listing monthly or quarterly distance per jurisdiction for each IFTA/IRP unit and for the entire IFTA/IRP fleet. | | | |
| 2. | If the IFTA/IRP fleets are not the same, the licensee reported the correct units for IFTA and has procedures in place to report the correct units for IRP. | | | |
| 3. | The licensee prepared unit specific monthly or quarterly fuel | | | |

| | | | | |
|---|---|---|---|---|
| | summaries, listing monthly or quarterly fuel per jurisdiction for each IFTA unit and for the entire IFTA fleet. | | | |
| 4. | The licensee maintained driver-prepared distance source documents for each IFTA/IRP unit, listing at minimum: monthly or quarterly odometer readings and out-of-state trip information, consisting of the date, destination(s), and jurisdictional distance for each out-of-state trip. | | | |
| 5. | The licensee retained over-the-road fuel receipts for each IFTA unit, listing the unit identification and the other documentation required in the IFTA Procedures Manual. | | | |
| 6. | The licensee maintained bulk withdrawal records, listing at minimum: date, unit identification, and number of gallons for each bulk withdrawal. | | | |
| 7. | The licensee recorded the bulk withdrawals for all units (IFTA and non-IFTA). | | | |
| 8. | The licensee prepared monthly or quarterly bulk fuel inventory reconciliations. | | | |
| 9. | The licensee retained tax-paid bulk fuel receipts, listing all the documentation required in the IFTA Procedures Manual. | | | |
| 10. | The information on the monthly unit summaries flowed correctly to the quarterly unit summary or IFTA return, and/or the information on the quarterly unit summary flowed correctly to the IFTA return. | | | |
| 11. | The information on the distance source documents, over-the-road fuel receipts, and bulk withdrawal records flowed correctly to the monthly or quarterly unit summaries. | | | |
| 12. | The odometer readings flowed correctly between trip records, and the total monthly or quarterly odometer distance was calculated correctly. | | | |
| 13. | The information from the bulk fuel withdrawal records and bulk fuel purchase receipts flowed to the monthly or quarterly bulk fuel inventory reconciliations. | | | |
| 14. | The beginning bulk fuel inventory of each month or quarter matched the ending bulk fuel inventory of the previous month or quarter, and the bulk fuel inventory levels were reasonable. | | | |

**Conclusion:** Overall, were the licensee's distance and fuel source documents sufficient and appropriate to comply with the IFTA/IRP record-keeping requirements?

YES NO

Were the licensee's internal controls sufficient for reporting the correct distance and fuel for IFTA and IRP?

YES NO

List any specific deficiencies in the licensee's distance and/or fuel source documents, and any specific weaknesses in the licensee's internal controls:

# Revision Log

| Revision# | Date | Change description |
|---|---|---|
| **1.0** | **July 2016** | |
| **1.1** | **September 2016** | |
| **2.0** | **July 2020** | |
| **3.0** | **July 2023** | |
| **4.0** | **June 2026** | **Added sample audit notification, audit report, equipment list, sampling agreement, 30-day waiver, questionnaire and audit program to the appendix** |
| | | |