The Audit Committee (AC) has received a few observations regarding the upcoming ballot proposal slated for discussion at the annual IRP meeting. Prior to addressing those items we want to qualify that the sole purpose of this ballot is to adjust the current “distance audit procedures” language in the Audit Procedures Manual (APM) to reflect the conduct of audits of registration years processed under the Full Reciprocity Plan (FRP).

Observation 1: Won’t the passing of this ballot eliminate language necessary to the conduct of audits of registration years prior to the implementation of FRP?

Answer: While the FRP changed the process for new and renewed registrations effective January 1, 2015 forward, the audit of registrations processed under the former language will continue for some time. Jurisdictions that audit registrants for multiple registration years will find themselves conducting audits of registrations completed under former Plan language and FRP language, simultaneously. In fact, some jurisdictions are already conducting audits of renewals completed under FRP; the current language in sections 504 and 505 is no longer relevant since estimated distance and fees exceeding 100 percent are not applicable for those registrations. Although updates to the language will no longer agree with the distance audit procedures for registrations prior to FRP, it is the AC’s understanding that it is reasonable to defer to the APM language that directed the processes and fee calculations specific to those registration years, as necessary. However, when auditing a registration year processed under FRP, the proposed language will be utilized. By way of example, prior to January 1, 2015, Plan 1015 Inadequate Records; Assessment stated, in part (underlining for emphasis),

“...the Base Jurisdiction shall impose on the Registrant an assessment in the amount of twenty percent of the Apportionable Fees paid by the Registrant for the registration of its Fleet in the Registration Year to which the Records pertain including Apportionable Fees based on Estimated Distance.”

As noted below, the current Plan (effective 1/1/2015) eliminates the above underlined reference because there is no estimated distance under FRP.

“...the Base Jurisdiction shall impose on the Registrant an assessment in the amount of twenty percent of the Apportionable Fees paid by the Registrant for the registration of its Fleet in the Registration Year to which the Records pertain.”

Even so, audits - and consequently inadequate assessments - will continue to be issued on registrations processed under the former language of record (Plan pre 01/01/2015) for some time. Does that mean that inadequate assessments issued January 1, 2015 for those registration years will not apply the percentage to the estimated distance fees? No, the membership has the pre January 1, 2015 language to direct us in those cases, as does the Peer Review Committee in matters of compliance. The same will be true in the APM with the implementation of this ballot language.

Observation 2: Why not ballot language relative to audits conducted under FRP as an addition to the current procedures.

The main reason that was not considered has already been discussed; dual language was believed to be unnecessary. Second, as we all know, balloting can be a lengthy process. Including dual language would necessitate the removal of the obsolete language soon thereafter, which can only be accomplished by another ballot.
Observation 3: Regarding proposed 504(e), why doesn’t the ballot address the handling of the fee changes (credits) that will arise when the distance for a non-apportionable vehicle is removed?

Plan and APM language have never specified or dictated to the membership how those credits should be addressed. Some jurisdictions have allowed them while others have not. In both cases, the decision has been up to the base jurisdiction.

Could it be argued that Plan 435 supports either option? Does the implementation of FRP, with apportionment by default in all jurisdictions and fee calculations within 100 percent, support a specific directive? The issue should be thoroughly discussed to ensure all points of view and consequences are considered. Since the intention of this ballot is to get language in place as soon as possible, we do not believe the item should be included here. However, if the community believes a directive has become necessary, we will begin discussions and determine how to best move forward with regard to educating the membership on the issue, and seeking feedback that will be used toward the process of drafting language that could be supported by the voting community.

In conclusion, the AC is considering the following changes to the proposed ballot:

1) Registrations processed under FRP are already being audited. With the removal of both estimated distance and fees exceeding 100 percent, fee adjustments related to FRP audits will follow current registration guidelines eliminating the need for additional extensive programming. After all, our systems will need to continue to accommodate the current guidelines for a few more years. Consequently, we would like to change the effective date from April 1, 2016 to January 1, 2016, since either date will require a separate vote.

2) We will be making minor changes to address some errors in the ballot “Summary”.

3) It has been mentioned that the opening to the proposed APM 504 qualifies that all fee changes due to audit adjustments are to be calculated in accordance with Section 400 of the Plan. That statement was made in the interest of simplicity; thereby avoiding the need to restate throughout the section. Accordingly, the latter part of proposed 504(d) has been noted as being redundant. The below strikeout reflects the suggested change in the proposed language:

(d) If actual distance was reported in any Member Jurisdiction where no actual distance was traveled during the Reporting Period, the actual distance must be removed and fees recalculated.