

## **IFTA Audit Guidelines**

Fuel tax audits are perhaps the most important element of the International Fuel Tax Agreement (IFTA).

In general, audits under IFTA will be conducted by a carrier's base jurisdiction on behalf of the other member jurisdictions. By participating in IFTA, a carrier agrees to maintain its records in the base jurisdiction (or at least to make them available there for audit), or to pay the expenses of an audit outside the jurisdiction.

IFTA limits re-audits by jurisdictions other than the base jurisdiction. A jurisdiction wishing to re-audit a carrier already audited by its base jurisdiction must, in effect, appeal the audit findings to the base jurisdiction before it may proceed, and any re-audit must use the same audit sample period as the original audit. The jurisdiction requesting a re-audit must pay any out-of-jurisdiction re-audit expenses.

The statute of limitations for record retention under IFTA is four years from the date of the quarterly tax return (three years plus the current year). Appeals of an audit are made according to the procedures of the carrier's base jurisdiction.

Before a jurisdiction joins IFTA, it must agree to abide by the audit guidelines set out by the Agreement, and, in particular, to demonstrate an audit program substantial enough to audit at least an average of 3% of its based carriers every year, every 5 years.

For jurisdictions, an adequate program of accurate audits is critical to fuel use tax enforcement. IFTA's base-state approach to auditing allows each member jurisdiction to concentrate its audit resources on its own based carriers, verifying that both the IFTA base jurisdiction and the other member jurisdictions receive the proper amount of taxes owed. With every IFTA member jurisdiction auditing its own base carriers for all other member jurisdictions, it allows its auditors to focus efforts more closely.

Clearly, for both jurisdictions and industry, it is vital that the audit programs of the IFTA member jurisdictions be subject to uniform standards assuring their accuracy and reliability. The member jurisdictions of the International Fuel Tax Agreement have developed Audit Guidelines to establish uniform procedures for all IFTA audits.

The Guidelines cover the following broad topics:

- . Auditor professionalism and qualifications . Record-keeping requirements for carriers
- . Documenting and reporting an audit . Conducting an IFTA audit
- . Jurisdiction notification to and communication with carriers

The Guidelines emphasize the importance in an audit of an acceptable carrier mileage-accounting system, that captures information on trips and miles or kilometers in an accurate and timely fashion so that it can be reflected in the carrier's IFTA fuel use tax report. This includes records that account for the dates of trips, origins and destinations, travel routes, total trip miles or kilometers determined by odometer readings and jurisdictional mileage, by vehicle and by fleet for the registrant.

The Guidelines specify that microfilm or microfiche records of fuel use tax receipts are acceptable in IFTA audits. The Guidelines suggest that an auditor test the carrier's record system and internal controls as well as the actual records for the period under review.

The Guidelines also stress the importance of clear, open and timely communications between the jurisdiction and the carrier being audited - before, during and after the audit. Pre- and post-audit conferences will ordinarily be held so that problems and expectations may be discussed.

Finally, the Guidelines prescribe standards for the audit reports that will be sent by the audited carrier's base jurisdiction to the other IFTA members, informing them of the audit results.

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