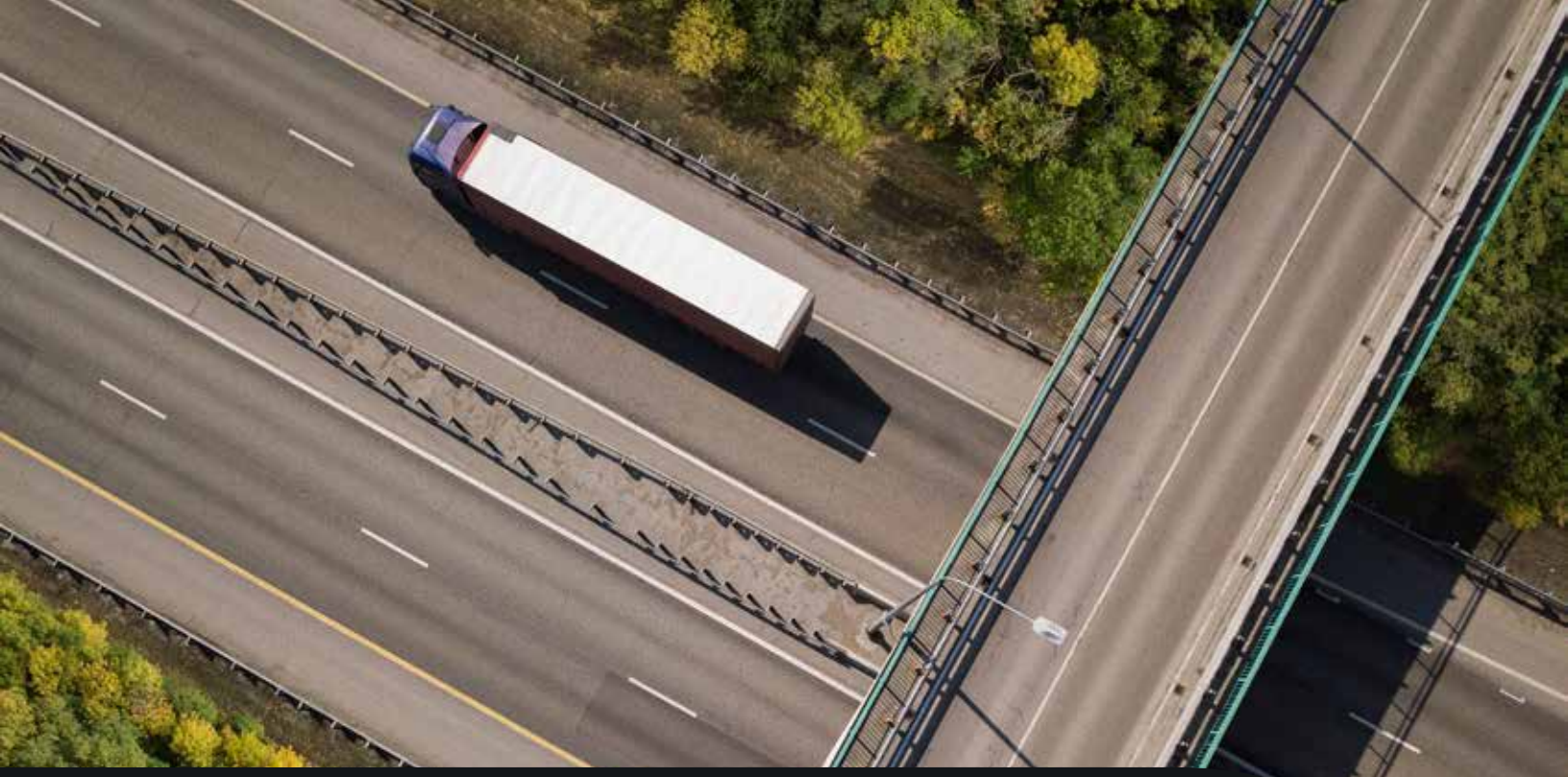

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Whitepaper

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What to Expect from an IFTA/IRP Audit

Most commercial motor carriers are concerned about the potential of an audit. Audits can be complex, stressful, and even alarming for all auditees. How well do you know what is involved in an IFTA/IRP audit? Do you understand how companies are selected for an audit? What can you do to minimize the odds of being selected? Would you be prepared for an audit if you got the call?

The **International Fuel Tax Agreement (IFTA)** and **International Registration Plan (IRP)** jurisdiction regulatory agencies conduct audits to ensure that proper mileage and fuel-use taxes have been paid in all jurisdictions where a commercial fleet travels.

100% of jurisdictions (US states and Canadian provinces) are required to perform audits on 3% of their commercial motor carrier fleets each year. All carriers are subject to an audit and can be chosen at random. The best ways to prepare for a potential audit are to ensure your miles and fuel are being recorded and reported correctly and that all records meet IFTA/IRP regulations.

This paper walks you through the steps of what you could expect from an IFTA/IRP audit.



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1. Who Gets Chosen for an Audit and Why?

Carriers are chosen for many reasons. Some of the most common include:

1. Fleet size
2. Significant mileage and fuel fluctuations from quarter to quarter
3. Inconsistent or high MPGs
4. Adverse audit history
5. Jurisdiction agency anonymously contacted by disgruntled employee

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2. How Does the Process Begin?

If you are chosen for an audit, a jurisdiction will send you a letter and questionnaire.

The purpose of the questionnaire is for the auditor to learn about your fleet operations. The information assists the auditor in determining how the audit should be conducted.

Here are some examples of the information the auditor will seek:

- How you record mileage
- GPS device information
- Changes in operations during the audit timeframe, like how mileage and fuel are recorded
- Seasonal information for carriers who experience significant quarterly fluctuations

You typically have 15 to 30 days to complete the questionnaire. Upon reviewing your questionnaire, the jurisdiction will determine where the audit will take place – typically at your facility, your compliance service provider's facility, or as a "desk audit," where records are electronically transferred directly to the auditor.

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3. What Information Do I Need to Provide?

An audit typically covers a time frame of 4 years (16 quarters) for IFTA and 1 year (4 quarters) for IRP. The auditor will request a fleet summary report that includes total miles and fuel per jurisdiction.

The auditor will require quarterly and/or monthly mileage and fuel summaries by unit. Keep in mind - proper record retention periods: IFTA records are required to be retained 4 years. IRP records for 6.5 years.

The auditor will conduct an opening conference with you and/or your service provider, which can be on-site at your facility, at your compliance service provider, or conducted via conference call. The purpose is for the auditor to discuss the audit process in as much detail as necessary to ensure that you have a full understanding of the process. It is also an opportunity for the auditor to learn more about your fleet and operations.

At this point, sample periods and sample units are chosen and agreed upon by the carrier and the auditor. Samples are chosen to get a good representation of the fleet's operations. Records include, but are not limited to: mileage, fuel reports / receipts (including bulk fuel reconciliations), IFTA sticker inventory, IRP renewal copies, and copies of vehicle cab cards.

- For larger fleets, typically 10-15% of the units on the overall account are audited, and depending on fleet operations, 1 to 2 sample quarters can be chosen. For smaller fleets, all units may be audited.
- The sample periods and sample units must include all jurisdictions in which the carrier traveled
- Some jurisdictions audit by month instead of quarter and will choose a percentage of units from each month in the audit timeframe.

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4. Audit Review Period

With all the information in-hand, the auditors begin their review. **The review process varies in length but generally takes 6 to 12 months.**

In the event of an appeal, the audit process can stretch out by months or even years. Fleet size, sample size, and the auditor's workload all impact the amount of time before a final resolution is determined.

Auditors will pull data from your sample and apply any issues they find to your entire fleet throughout the audit timeframe. This is known as an "error factor" and assumes any issues observed in the sample would exist across the entire fleet and time frame. Your goal is to have clean records, but if issues are discovered, you should work with the auditor to isolate them as unique, one-time occurrences as much as possible.

Auditors will verify all units on the IRP are traveling in two or more jurisdictions within an 18-month time frame. If units are found to be only traveling in one jurisdiction, the auditing jurisdiction can assess base plate fees for the time period, which could be anywhere from one year to the full four years of the audit. Any original IRP fees paid during those same years are not refunded.

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5. Reviewing the Results

A closing audit conference is held between you, your service provider, and the auditor to review the audit results.

If there are any gaps or issues found within the sample period and units, the auditor will give the carrier time - typically 30 days - to produce further records. If further records cannot be produced, then a preliminary audit finding document is provided to you by the jurisdiction.

Once you receive the preliminary audit findings, you will have the opportunity to accept or challenge and begin correspondence with the auditor. If the auditor agrees to make changes based on those conversations, then they will do so. This could include an audit of another quarter or different unit sampling and process.

Final audit findings will then be provided to you by that jurisdiction. If you disagree and/or have further documentation or reasons to show why the findings are incorrect, then an official audit appeal can be requested. If there is no appeal, or if the appeal is denied, then any assessment, if applicable, is due to the jurisdiction.

Penalties for Inadequate Records

The financial impact of non-compliant IFTA and IRP practices and record-keeping, of commercial motor carrier fleets, is substantial. Here are some examples to illustrate the impact of non-compliant practices:

IFTA
Penalty assessments are routinely in the hundreds of thousands of dollars. Furthermore, financial penalties and interest can and do exceed the one-million-dollar mark.

IRP
1st Offense Penalty – 20% of commercial motor carrier's fleet licensing fees

2nd Offense Penalty – 50% of commercial motor carrier's fleet licensing fees

3rd Offense Penalty – 100% commercial motor carrier's fleet licensing fees

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Fleetworthy is revolutionizing fleet management with proven solutions for safety, compliance, and efficiency. Our technology suite provides real-time insights and control, enabling customers to maximize efficiency, reduce risk, and save money.

With technology to improve safety, compliance, toll management, weigh station bypass, and more, Fleetworthy empowers fleets to perform at their best. We simplify operations to ensure every vehicle and driver is not just compliant, but beyond compliant.

Supporting millions of drivers and vehicles, Fleetworthy is leading a new era in fleet management technology. Our vision is to create a future where fleets operate with unparalleled safety and efficiency.

At Fleetworthy, we're not just powering fleets—we're driving the future of transportation. Join us in turning challenges into opportunities and helping your business reach new heights.

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