



NCDOR

NORTH
CAROLINA
DEPARTMENT
OF REVENUE

Examination Division

IFTA/IRP Audit Process

July 2017



What Is an IFTA / IRP Audit?

- IFTA: An IFTA audit is the evaluation and verification of mileage and fuel figures reported on the IFTA quarterly tax return.
- IRP: An IRP audit is the evaluation and verification of the miles reported for each apportioned jurisdiction on an annual application.



Who May Be Subject to an IFTA / IRP Audit and Why?

- Any registrant licensing or registering qualified motor vehicles, or that is required to license or register qualified motor vehicles, is subject to an audit with IFTA / IRP
- For the purpose of determining whether such registrant is maintaining acceptable records, filing correct applications, and paying correct registration fees or taxes as required



AUDIT PROCESS

IFTA / IRP

Taxpayer/Registrant will be contacted by:

- Phone

or

- Audit Contact Letter mailed with auditor's name and phone number including year(s) to be audited



AUDIT PROCESS

IFTA / IRP

Opening Audit Conference

- Confirm general data filed on application / return
- Internal control evaluation
- Nature of operations

Request Records Agreed Upon Previously

- Mileage records
- Fuel records
- Summaries
- Any other requested data related to your IFTA / IRP operations



AUDIT PROCESS IFTA / IRP

Mileage Audit



AUDIT PROCESS

IFTA / IRP

IFTA

- Examine individual trip records in detail (sample period)
- Calculate trip mileage based on routes of travel using map miles / mileage software
- Examine the continuity of odometer or hub meter readings to determine total elapsed miles
- Examine the continuity of odometer readings for jurisdictions traveled.
- Reconciliation of Mileage Source Documents and Summaries to IFTA quarterly tax returns



AUDIT PROCESS

IFTA / IRP

IRP

- Vehicle charting of Apportioned Fleet
- Verify all vehicles registered to fleet (addition / deletion dates)
- Account for all activity or inactivity of vehicle operations
- Account for actual use or intended use of vehicles in two or more member jurisdictions



AUDIT PROCESS

IFTA / IRP

IRP

- Reconciliation of Fleet Mileage
- Fleet mileage summary compared to reported application mileage
- Individual unit summaries compared to fleet summary
- Individual trip mileage compared to individual unit summaries



AUDIT PROCESS

IFTA / IRP

IRP

- Examine individual trip records in detail (sample period)
- Calculate trip mileage based on routes of travel using map miles / mileage software
- Examine the continuity of odometer or hub meter readings



IFTA Mileage Adjustments

- Adjustments are the differences between audited and reported data
- Type of adjustments for mileage:
 - Isolated
 - Percentages
 - Actual
 - Projected



AUDIT ASSESSMENTS

IRP

Percentage Change

- Audited jurisdictional mileage adjustments result in an increase/decrease in the jurisdictional percentages originally used to determine registration fees.



Audit Assessments

IRP

Individual Vehicle Assessment (NC only)

- Registrant fails to make acceptable records available for audit that can substantiate individual vehicle activity or non-activity of operations for any 45 consecutive days during the audit period
- An apportioned vehicle operates in only one jurisdiction and the intent to travel in another jurisdiction can not be proven



Audit Assessments

IRP

Inadequate Records Assessment

This is when there are not enough records to audit.

Effective for audits July 1, 2013 and after, penalties based on license fees

- First Audit 20% penalty
- Second Audit 50% penalty
- Third Audit 100% penalty



AUDIT PROCESS IRP

Closing Audit Conference

- Reaffirm the audit process used to perform audit
- Inform registrant of any problem areas found during audit
- Explain any changes in mileage or fee percentages as a result of the audit
- Discuss audit recommendations





IFTA Audit Process

Fuel Audit



AUDIT PROCESS

IFTA Fuel Audit

- Examine individual fuel receipts in detail for required information (sample period)
- Reconciliation of Fuel Source Documents and Summaries to reported data.



IFTA Fuel Adjustments

- Adjustments are the differences between audited and reported data
- Type of adjustments for fuel:
 - Isolated
 - Percentages
 - Actual
 - Projected



Decal Audit

- All decals must be accounted for and maintained for a period of 4 years.
- Your decal inventory list will be reviewed for the required data previously outlined.
- If missing decals are discovered, we report this issue to the NC Department of Revenue, Tax Enforcement Division, to follow up on and issue the civil penalties.



Closing Audit Process

IFTA

- Discuss audit findings and adjustments
- Recommendations
- Audit resolution options
 - Pay Assessment
 - Payment plan
 - Submit NC 242 form (Audit Objection)
 - Submit NC 5500 form (Penalty Waiver)



Closing Audit Process IFTA/IRP

Audit review process

- Audits go through three reviews:
 - Self/Peer
 - District Supervisor
 - District Supervisor/Manager

Approved audits are sent to the Excise Tax Division for processing.



Questions ?

Thank you for your time and
attention.