



**NCDOR**

NORTH  
CAROLINA  
DEPARTMENT  
OF REVENUE

# Examination Division

## IFTA/IRP Audit Process

July 2019



# 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.