

WITHDRAWN FOLLOWING THE ANNUAL BUSINESS MEETING



**IFTA FULL TRACK PRELIMINARY BALLOT PROPOSAL
FTPBP #1-2014**

Sponsor

IFTA Program Compliance Review Committee

Date Submitted

April 1, 2014

Proposed Effective Date

January 1, 2016

Manual Sections to be Amended

(January 1996 Version, Effective July 1, 1998, as revised)

IFTA Articles of Agreement
IFTA Procedures Manual

R1510 CONDITIONS FOR MEMBERSHIP
P910 LICENSEE RECORDS

Subject

Reduce the IFTA program compliance review cycle from five (5) years to four (4) years.

History/Digest

One of the goals on the IFTA, Inc. Strategic Plan is to promote confidence and stability through partnerships with jurisdictions, industries, and governments. One suggestion in the Strategic Plan was to perform combined IFTA Program Compliance Reviews and IRP Peer Reviews. Since IRP Peer Reviews are completed on a five year cycle it was decided to change the IFTA Compliance Review cycle to five years to allow for the combined reviews. IFTA membership was presented and passed Ballot #2-2009 with the intent of being able to perform combined IFTA Program Compliance and IRP Peer Reviews.

With the passing of Ballot STFBP #2-2009 the IFTA Program Compliance Review cycle changed from four (4) years to five (5) years to allow IFTA Program Compliance Reviews and IRP Peer Reviews to be completed as combined reviews in the jurisdictions desiring them.

IFTA switched to a five (5) year review cycle but still maintained the four regions for each annual review and used the fifth year of the review cycle as a no-review year.

However, after Ballot #2-2009 passed there were changes required to the IRP to facilitate the use of combined reviews. The needed changes have not taken place and there are no plans for future discussions on this issue.

March 11, 2013 the IFTA, Inc. Board of Trustees made a Charge to the Program Compliance Review Committee to complete a comprehensive review of the On-Site and E-Review processes. The goal was to determine if the review process should be modified to better serve the membership in today's environment.

On June 25 & 26, 2013 a sub-committee of the Program Compliance Review Committee met in Chandler, AZ to discuss the charge from the IFTA Board of Trustees. One of the key early points of discussion was that since the combined reviews are not happening as intended when this concept was first brought up over five years ago, the Membership would be better served going back to the quicker four year review cycle.

Intent

This proposed ballot would promote compliance with the IFTA by reducing the IFTA program compliance review cycle to four (4) years.

WITHDRAWN

Interlining Indicates Deletion; Underlining Indicates Addition

1 **R1500 MEMBERSHIP**

2
3 ***R1510 CONDITIONS FOR MEMBERSHIP**

4
5 The applicant shall agree to abide by all terms, conditions, and requirements of the Articles of Agreement,
6 Procedures Manual, Audit Manual and the Bylaws of the Association and to:

7
8 ***[SECTION R1510.100 REMAINS UNCHANGED.]***

9
10 **.200** Submit to a program compliance review to determine compliance with the Agreement. Such
11 review shall be performed after one year of implementation and once every four ~~five~~ years
12 thereafter unless a review is ordered as prescribed by this Agreement; and

13
14 ***[SECTION R1510.300 REMAINS UNCHANGED.]***

15
16 **P900 BASE JURISDICTION RECORDKEEPING**

17
18 ***P910 LICENSEE RECORDS**

19
20 The base jurisdiction shall maintain fuel tax records for licensees based in that jurisdiction for a period of
21 four ~~five~~ years or until they have been examined as part of a Program Compliance Review and the Final
22 Report has been issued, whichever is later. The records shall contain, but not be limited to, the following:

- 23
24 **.050** Tax returns;
- 25
26 **.100** Applications;
- 27
28 **.150** Audit files;
- 29
30 **.200** Refund requests;
- 31
32 **.250** Notifications issued for debit or credit balances by the base jurisdiction;
- 33
34 **.300** Payments of taxes made to the base jurisdiction;
- 35
36 **.350** Funds received from and transmitted to other jurisdictions. Such records shall identify
37 licensees and remittances from each licensee;
- 38
39 **.400** Cancellation of licensee requests;
- 40
41 **.450** Requests for hearing to resolve assessments made by the base jurisdiction;
- 42
43 **.500** Results of administrative hearing process;

NO REVISIONS FOLLOWING THE FIRST COMMENT PERIOD

FTPBP #1-2014
First Comment Period Ending June 12, 2014

Support: 12
Oppose: 20
Undecided: 7

ALABAMA

Oppose

Alabama prefers that IFTA and IRP peer reviews be conducted at the same time. This is a more efficient use of human resources.

ALBERTA

Oppose

Alberta prefers to leave the compliance review period as is since it results in less administrative burden on the jurisdictions.

ARIZONA

Oppose

Arizona agrees with New Hampshire's comments.

BRITISH COLUMBIA

Support

CONNECTICUT

Support

We support this ballot but believe New Hampshire's comments are worthy of research. Perhaps IFTA can look at jurisdictions that are compliant with all cited articles in R1555 as being entitled to a five year review period, whereas jurisdictions found to be in violation of the articles contained in R1555 should be required to undergo more frequent reviews.

IDAHO

Oppose

ILLINOIS

Support

IOWA

Undecided

Having the IRP & IFTA review cycle consistent is preferable, so I would oppose this ballot. The Board tasked the committee to determine if the "review process" should be modified to better serve the membership. It's not clear in this ballot, how moving back to the 4 year cycle will accomplish this?

FTPBP #1-2014
First Comment Period Ending June 12, 2014

KANSAS

Oppose

Kansas understands the need for the Compliance Reviews - However changing the review period to 4 years would create additional administrative burden.

KENTUCKY

Oppose

MAINE

Support

MANITOBA

Undecided

MARYLAND

Support

MASSACHUSETTS

Oppose

MICHIGAN

Oppose

MINNESOTA

Oppose

Rather than change the compliance review years, Minnesota feels it may be beneficial for the membership to consider evaluating the value of the compliance review program as it exists today. This may be an opportunity to revise the program due to the electronic transmittal of funds and audits. We now have the ability to quickly identify transmittal noncompliance, fuel tax rates, number of audits and each jurisdiction reviews of audits conducted on their behalf. The review can be continual for all jurisdictions in many of the compliance areas. Jurisdictions found in noncompliance to critical compliance requirements could be reviewed more often vs waiting for the 5 year cycle.

MISSOURI

Support

Missouri supports. Since IRP was unable to pass language for joint IRP/IFTA reviews, changing the cycle back to a four year cycle allows PCRC to promote compliance in a more timely manner.

MONTANA

Oppose

A five year cycle is adequate to ensure compliance. Continue to work on aligning IRP and IFTA peer review cycles.

FTPBP #1-2014
First Comment Period Ending June 12, 2014

NEBRASKA

Undecided

Nebraska can see benefits to both leaving the cycle as is - for example, the 5th year non-review year provides an opportunity for the PCRC to finalize any reviews from the previous years and begin a new cycle with a clean slate.

However, if the PCRC committee feels that returning to a 4-year cycle which aligns with the 4 regions provides a greater benefit, we would be okay with that.

NEVADA

Support

Although Nevada supports reducing the compliance review cycle back to 4 years, we also agree with the comments from MN and OK; and believe there are more rapid and efficient ways to address jurisdictional non-compliance and it should be considered in the near future.

NEW BRUNSWICK

Oppose

NEW HAMPSHIRE

Oppose

New Hampshire is opposed on this ballot. It allows the PCRC to review jurisdictions to determine non-compliance in a more timely manner. However, I would propose risk based approach. Jurisdictions with a good to excellent compliance reviews be allowed to stay at five years while jurisdictions with poor or critical compliance reviews go to a three year compliance review. By making everyone go to four years it seems like your are penalizing the jurisdictions with good compliance reviews.

NEW JERSEY

Oppose

NEW MEXICO

Oppose

It should be left as is.

NEW YORK

Support

NEWFOUNDLAND

Oppose

In agreement with New Hampshire's comments. Audits should be selected based on risk as opposed to a strict time schedule

NORTH CAROLINA

Support

FTPBP #1-2014
First Comment Period Ending June 12, 2014

NOVA SCOTIA

Undecided

We are of mixed opinion on this ballot. On one hand we support the 5 year cycle to be consistent with IRP and to avoid concentrating on just IRP or IFTA audits at then end of a cycle. Having said that, we are also concerned that 5 years is too long a period of time in which to identify a non-compliant jurisdiction. In reality it might be 8 years or more before action is taken by the non-compliant jurisdiction to correct it's deficiencies. And I suggest the biggest concern is about a jurisdiction that is not meeting it's 3% audit requirement. An amendment that would trigger a review of a jurisdiction after two successive years of not meeting their 3% target might address the concerns. This review would only be concerned with the audit % requirement and would force a jurisdiction to demonstrate corrective action on this sooner rather than later.

OKLAHOMA

Undecided

Rather than changing the review cycle back to 4 years, I would rather see the PCRC work on developing methods (probably needs to be balloted) to use the Clearinghouse and other data sources to make compliance review a more continual process. For example, if a jurisdiction is perpetually late funding there obligations or conducting their fair share of audits, why should the rest of the jurisdictions have to wait years for that to be formally dealt with?

ONTARIO

Support

OREGON

Oppose

In general, I oppose changing back. For the most part, Oregon conducts IFTA and IRP audits together, and maintaining a 5 year review period for both enables us to balance the audit requirements from year to year. If IFTA's review was 4 years and IRP's 5, we may end up having to conduct IFTA-only or IRP-only audits if running behind the required audit requirement.

PENNSYLVANIA

Support

Pennsylvania supports the 4 year compliance review.

QUEBEC

Oppose

With the electronic audit, Quebec has hard time scanning the documents and feeding them to IFTA Inc. It takes a lot of time to do that. We should leave them to 5 years.

RHODE ISLAND

Oppose

Rhode Island would prefer to leave the review cycle as it is.

FTPBP #1-2014
First Comment Period Ending June 12, 2014

SASKATCHEWAN

Oppose

Saskatchewan agrees with Alberta's comments.

TENNESSEE

Undecided

The administration side supports this ballot.

Our audit side has the following comments: I think the five-year cycle for Peer Reviews should remain the same. Since reducing them to a four-year period would increase the frequency of gathering records to present to the Peer Review Team, as well as, the additional time dedicated to the new proposed cycle.

UTAH

Oppose

Utah is a combined shop, we would prefer to have the opportunity to have a joint IFTA/IRP audit.

WASHINGTON

Undecided

WEST VIRGINIA

Support

I can support the ballot but I would prefer both IFTA and IRP peer reviews to be conducted at the same time.

FOR VOTE BY MARCH 12, 2015



**IFTA FULL TRACK FINAL BALLOT PROPOSAL
FTFBP #2-2014**

Sponsor

IFTA Program Compliance Review Committee

Date Submitted

April 10, 2014

Proposed Effective Date

Upon passage

Manual Sections to be Amended

IFTA Articles of Agreement

(January 1996 Version, Effective July 1, 1998, as revised)

R1555 Compliance Matters

Subject

Disputes initiated by the Program Compliance Review Committee from findings of non-compliance in program compliance reviews.

History/Digest

When ballot #1-2009 passed it amended the IFTA Articles of Agreement to require the PCRC to recommend to the membership that a dispute be initiated against a member jurisdiction that: 1) has been found non-compliant on the subject articles of the governing documents following completion of the Program Compliance Review Process, including a follow-up and/or reassessment; and 2) has been issued a Final Determination Finding of Non-Compliance by the PCRC. Membership approved disputable items in R1555 to be R970, R1210, R1230, R1260, R1270, P1040, A310, A320, and A690.

Subsequently, the Program Compliance Review Committee was charged by the IFTA, Inc. Board of Trustees to complete a comprehensive review of the compliance review processes. The goal was to determine if the review process should be modified to better serve the membership in today's environment.

A sub-committee meeting of the Program Compliance Review Committee met in Chandler, AZ to discuss the charge by the IFTA Board of Directors. One point of discussion was to determine if the scope of the language in R1555 was adequate or needed to be expanded or narrowed based on the charge by the Board to the committee.

The sub-committee concluded that adding one section to R1555 would help to better meet IFTA, Inc.'s Mission Statement and Goals. Adding R1310 LICENSEE AUDITS, would allow the PCR's to monitor one of the core beliefs of IFTA audits; auditing on behalf of all member jurisdictions and the audits completed determine if a carrier is compliant with not only the base jurisdiction's tax reporting requirement, but for all jurisdictions operated in.

Intent

The intent of this ballot is to amend the IFTA Articles of Agreement to require the PCRC to recommend to the membership that a dispute be initiated against a member jurisdiction that: 1) has been found non-compliant on the subject of Providing Information to Licensees by not providing complete and current information to licensees; and 2) has been found non-compliant on the subject of Licensee Audits by not auditing on behalf of all member jurisdictions.

In addition to this this ballot, the PCRC will present to membership for approval an updated and streamlined Program Compliance Review Guide where reviews would focus on those specific sections found in R1555 that the membership felt were disputable. Each of the Sections outlined in the proposed R1555 are measurable and are currently reviewed by the PCR teams.

1 **Interlining Indicates Deletion; Underlining Indicates Addition**

2
3 **ARTICLES OF AGREEMENT**

4
5 **R1500 MEMBERSHIP**

6
7 ***[SECTIONS R1505 THROUGH R1550 REMAIN UNCHANGED]***

8
9 **R1555 COMPLIANCE MATTERS**

10
11 **.100 Dispute Resolution Process**

12
13 Disputes concerning issues of compliance with the International Fuel Tax
14 Agreement may be resolved pursuant to the IFTA Dispute Resolution Process.
15 The IFTA Dispute Resolution Process may be utilized to resolve only:

16
17 .005 Compliance disputes between member jurisdictions;

18
19 .010 Compliance disputes between member jurisdictions and IFTA licensees
20 in those matters where no administrative remedy to the IFTA licensee is
21 available within the member jurisdiction involved in the dispute.

22 Compliance disputes subject to this section shall not include disputes
23 between member jurisdictions and IFTA licensees over matters of
24 substantive jurisdiction law, including but not limited to, laws governing
25 the imposition, assessment, and collection of jurisdiction motor fuel use
26 taxes collected pursuant to the International Fuel Tax Agreement; and

27
28 .015 Compliance matters where (i) the Program Compliance Review Process,
29 including follow-up and/or reassessment, has been completed; (ii) a Final
30 Determination Finding of Non-Compliance has been issued by the
31 Program Compliance Review Committee related to Sections R970,
32 R1210, R1230, R1260, R1270, R1310, P1040, A310, A320, or A690;
33 and (iii) a recommendation for initiation of a dispute from the Program
34 Compliance Review Committee has been approved by the member
35 jurisdictions as defined in Article R1555.300.

36
37 **.200 Submission of a Final Determination Finding of Non-Compliance to the**
38 **Membership**

39
40 A Final Determination Finding of Non-Compliance issued by the Program
41 Compliance Review Committee related to Sections R970, R1210, R1230, R1260,
42 R1270, R1310, P1040, A310, A320, or A690 shall be submitted to the
43 membership to determine whether a dispute will be initiated.

44
45
46 ***[SUB-SECTIONS .300 AND .400 REMAIN UNCHANGED]***

REVISIONS FOLLOWING THE SECOND COMMENT PERIOD

- Removed reference to R360 after second comment period

FTPBP #2-2014
First Comment Period Ending June 12, 2014

Support: 23
Oppose: 10
Undecided: 6

ALABAMA

Support

ALBERTA

Undecided

Agree with Oregon and Nova Scotia's comments.

ARIZONA

Support

BRITISH COLUMBIA

Support

CONNECTICUT

Oppose

While we do believe that keeping licensees informed is important, we question whether it is a critical component of administering taxes on behalf of fellow member jurisdictions. Since non-compliance with the articles cited in R1555 could lead to the expulsion of a member, we question whether that is what the sponsor intended. Implementation of this language could lead to unintended consequences. We could support this ballot if the reference to R360 was removed.

IDAHO

Support

ILLINOIS

Support

IOWA

Oppose

Oppose as written – Section R360 is clear and specific on the items of non-compliance, however Section R1310 is not and is wide open to interpretation. I suggest they clarify R1310 to include more specifics or omit it from this ballot at this time.

KANSAS

Undecided

Kansas agrees with Oregon's comments.

KENTUCKY

Support

MAINE

Support

FTPBP #2-2014
First Comment Period Ending June 12, 2014

MANITOBA

Support

MARYLAND

Oppose

Maryland is concerned with the potential increased responsibility to notify carriers with any changes. This ballot would likely add to paper fulfillment obligations which are already excessive and financially burdensome.

MASSACHUSETTS

Oppose

MICHIGAN

Undecided

MINNESOTA

Support

These two areas R360 and R1310 are broad provisions, which are subject to different interpretations. These requirements are not defined because they are difficult to define. The finding is based on information found during the review leading to a decision based on judgment and discretion. Minnesota feels and trusts the dispute resolutions process gives all parties their due process.

MISSOURI

Support

Missouri supports. Proposed language to amend R1555 supports a charge by the Board to strengthen the compliance review process.

MONTANA

Support

NEBRASKA

Support

Although the inclusion of such broad provisions of the agreement, (R360 and R1310) is worrisome, Nebraska trusts that the entire process will provide the appropriate due process for the jurisdictions.

NEVADA

Support

Nevada believes if a section of the Agreement requires a jurisdiction to complete a function by using the words "must" or "shall" the jurisdiction should be held accountable if it is not done. Therefore, if it is a requirement, it should also be eligible for submission to the DRC if continued non-compliance remains. This ballot is not adding requirements to jurisdictions, it is only making these infractions subject to DRC action when non-compliance is not corrected.

NEW BRUNSWICK

Support

FTPBP #2-2014
First Comment Period Ending June 12, 2014

NEW HAMPSHIRE

Oppose

NEW JERSEY

Oppose

I am in agreement with the comments posted by both Connecticut and Oregon.

NEW MEXICO

Support

NEW YORK

Oppose

The phrase "not auditing on behalf of all member jurisdictions" needs to be expanded upon to provide more clarity as to the committee's intent.

NEWFOUNDLAND

Support

NORTH CAROLINA

Oppose

It appears that some of the measures in R1555 could be subjective and subject to different interpretations.

NOVA SCOTIA

Undecided

We agree with Oregon's comments and believe what constitutes "not auditing on behalf of all member jurisdictions" requires clarification.

OKLAHOMA

Undecided

I am not sure what problem we are trying to solve here. I understand and appreciate the PCRC's effort but would like more information about how some jurisdictions lack of compliance with R360 is effecting tax payments to the jurisdictions.

I also agree with other comments about including Section R1310 in R1555. "Auditing on behalf of all jurisdictions" is a subjective term that could cover a vast range of issues. This has the potential to call everything about a jurisdictions audit program into question.

ONTARIO

Support

FTPBP #2-2014
First Comment Period Ending June 12, 2014

OREGON

Undecided

I recommend a No vote unless they define what they will use as criteria in judging whether a jurisdiction is "auditing on behalf of all member jurisdictions" and that we agree that it is a reasonable definition.

PENNSYLVANIA

Oppose

Agree that the definition of "not auditing on behalf of all member jurisdictions" is too subjective. Further, this seems like a solution in search of a problem.

QUEBEC

Support

RHODE ISLAND

Support

SASKATCHEWAN

Support

TENNESSEE

Support

UTAH

Oppose

This language is not specific enough to avoid more confusion.

WASHINGTON

Support

WEST VIRGINIA

Support

I agree. Jurisdictions should be required to provide licensees with complete and current info and all audits should be conducted on behalf of all jurisdictions.

FTPBP #2-2014

Second Comment Period Ending November 17, 2014

SUMMARY

20 Comments

Support: 13

Oppose: 6

Undecided: 1

ALABAMA

Support

ALBERTA

Undecided

We do not understand why R360 is added as a reason that a member will be subject to the dispute resolution process.

ARIZONA

Support

BRITISH COLUMBIA

Support

CONNECTICUT

Oppose

We understand the intent of this ballot, but still disagree with the inclusion of Article R360 as part of this proposal. While we do agree that providing information to licensees is important, we are concerned that a failure to do so could rise to the level of a referral to the Dispute Resolution Committee by the membership. Such referrals may result in penalties assessed against a member jurisdiction up to and including a resolution for expulsion; however unlikely that may be. Since IFTA is an agreement between **member jurisdictions**, we are concerned that a member could find itself subject to penalties for a citing that is not directly related to the jurisdiction to jurisdiction relationship. We do agree, however that inclusion of Article R1310 is consistent with the overall mission of IFTA.

IOWA

Support

KENTUCKY

Support

MINNESOTA

Support

NEVADA

Support

Nevada believes it is not only important to keep the licensee apprised of changes in the Agreement, it is our responsibility. Likewise, we also believe Jurisdictions should be accountable for auditing on behalf of all jurisdictions. Therefore, we are in support of this ballot.

NEW BRUNSWICK

Support

FTPBP #2-2014
Second Comment Period Ending November 17, 2014

NORTH CAROLINA

Oppose

NOVA SCOTIA

Oppose

ONTARIO

Support

PENNSYLVANIA

Oppose

Pennsylvania opposes this ballot proposal.

PRINCE EDWARD ISLAND

Support

QUEBEC

Support

RHODE ISLAND

Support

SASKATCHEWAN

Support

TEXAS

Oppose

It's still not clear whether providing information through a website satisfies the notification requirement. Texas can recommend supporting this ballot if Section R360 is deleted. Adding R360 requires the IFTA jurisdictions be reviewed to their responsibility to notify their licensees of all the current and amended requirements of IFTA.

UTAH

Oppose

**IFTA FULL TRACK FINAL BALLOT PROPOSAL 2-2014
VOTING RESULTS**

| JURISDICTION | LANGUAGE | | EFFECTIVE DATE | |
|--------------------------------|----------|----|----------------|----|
| | YES | NO | YES | NO |
| ALABAMA | 1 | | 1 | |
| ALBERTA | | 1 | | 1 |
| ARIZONA | 1 | | 1 | |
| ARKANSAS | 1 | | 1 | |
| BRITISH COLUMBIA | 1 | | 1 | |
| CALIFORNIA | 1 | | 1 | |
| COLORADO | 1 | | 1 | |
| CONNECTICUT | 1 | | 1 | |
| DELAWARE | 1 | | 1 | |
| FLORIDA | | | | |
| GEORGIA | 1 | | 1 | |
| IDAHO | 1 | | 1 | |
| ILLINOIS | 1 | | 1 | |
| INDIANA | 1 | | 1 | |
| IOWA | 1 | | 1 | |
| KANSAS | | 1 | | 1 |
| KENTUCKY | | 1 | | 1 |
| LOUISIANA | 1 | | 1 | |
| MAINE | 1 | | 1 | |
| MANITOBA | 1 | | 1 | |
| MARYLAND | | 1 | | 1 |
| MASSACHUSETTS | | 1 | | 1 |
| MICHIGAN | 1 | | 1 | |
| MINNESOTA | | | | |
| MISSISSIPPI | | 1 | 1 | |
| MISSOURI | 1 | | 1 | |
| MONTANA | 1 | | 1 | |
| NEBRASKA | 1 | | 1 | |
| NEVADA | 1 | | 1 | |
| NEW BRUNSWICK | 1 | | 1 | |
| NEW HAMPSHIRE | | 1 | | 1 |
| NEW JERSEY - INELIGIBLE | | | | |
| NEW MEXICO | 1 | | 1 | |
| NEW YORK | | 1 | | 1 |
| NEWFOUNDLAND | 1 | | 1 | |
| NORTH CAROLINA | | 1 | | 1 |
| NORTH DAKOTA | 1 | | 1 | |
| NOVA SCOTIA | | 1 | | 1 |
| OHIO | | | | |
| OKLAHOMA | | 1 | | 1 |
| ONTARIO | 1 | | 1 | |
| OREGON | | 1 | | 1 |
| PENNSYLVANIA | | 1 | | 1 |
| PRINCE EDWARD ISLAND | 1 | | 1 | |
| QUEBEC | | 1 | | 1 |
| RHODE ISLAND | 1 | | 1 | |
| SASKATCHEWAN | 1 | | 1 | |
| SOUTH CAROLINA | 1 | | 1 | |

**IFTA FULL TRACK FINAL BALLOT PROPOSAL 2-2014
VOTING RESULTS**

| JURISDICTION | LANGUAGE | | EFFECTIVE DATE | |
|---------------------|-----------|-----------|----------------|-----------|
| | YES | NO | YES | NO |
| SOUTH DAKOTA | | | | |
| TENNESSEE | 1 | | 1 | |
| TEXAS | 1 | | 1 | |
| UTAH | 1 | | 1 | |
| VERMONT | | | | |
| VIRGINIA | 1 | | 1 | |
| WASHINGTON | 1 | | 1 | |
| WEST VIRGINIA | | 1 | | 1 |
| WISCONSIN | 1 | | 1 | |
| WYOMING | 1 | | 1 | |
| TOTALS | 37 | 15 | 38 | 14 |

Bold font in the voting total columns and shading indicate that the jurisdiction did not vote.

Failure to vote for the ballot language counts as a "No" vote.

Failure to vote for the alternative effective date counts as a "No" vote.

Number of "YES" votes necessary to pass: 44

Effective Date: Upon Passage

LANGUAGE:

NUMBER OF "YES" VOTES RECEIVED: **37**

NUMBER OF "NO" VOTES RECEIVED: **15**

NUMBER OF VOTES NOT RECEIVED: **5**

RESULT: FAILED

ALTERNATIVE EFFECTIVE DATE:

NUMBER OF "YES" VOTES RECEIVED: **38**

NUMBER OF "NO" VOTES RECEIVED: **14**

NUMBER OF VOTES NOT RECEIVED: **5**

RESULT: INSUFFICIENT # OF VOTES

Ballot Intent:

The intent of this ballot is to amend the IFTA Articles of Agreement to require the PCRC to recommend to the membership that a dispute be initiated against a member jurisdiction that: 1) has been found non-compliant on the subject of Providing Information to Licensees by not providing complete and current information to licensees; and 2) has been found non-compliant on the subject of Licensee Audits by not auditing on behalf of all member jurisdictions.

In addition to this this ballot, the PCRC will present to membership for approval an updated and streamlined Program Compliance Review Guide where reviews would focus on those specific sections found in R1555 that the membership felt were disputable. Each of the Sections outlined in the proposed R1555 are measurable and are currently reviewed by the PCR teams.

FOR VOTE BY NOVEMBER 19, 2015



**IFTA FULL TRACK FINAL BALLOT PROPOSAL
#03-2014**

Sponsor

IFTA Audit Committee

Date Submitted

September 11, 2015

Proposed Effective Date

January 1, 2017

Manual Sections to be Amended

(January 1996 Version, Effective July 1, 1998, as revised)

Articles of Agreement

R247 RECORDS
R305 LICENSE REQUIREMENTS
R1010 RETAIL FUEL PURCHASES
R1020 BULK FUEL PURCHASES
R1320 AUDIT REQUIREMENTS
R1330 AUDIT MANUAL
R1340 REVIEW/REVISION OF AUDIT REQUIREMENTS
R1350 JOINT AUDITS
R1370 AUDIT REPORTS
R1380 COMMUNICATION OF AUDIT FINDINGS
R1390 AUDIT APPEALS
R1555 COMPLIANCE MATTERS

Procedures Manual

P500 RECORDKEEPING
P510 RETENTION AND AVAILABILITY OF RECORDS
P520 BURDEN OF PROOF
P530 ADEQUACY OF RECORDS
P540 DISTANCE RECORDS
P550 FUEL RECORDS
P560 SUMMARIES
P570 INADEQUATE RECORDS
P600 ELECTRONIC DATA RECORDING SYSTEMS (ALL
SECTIONS DELETED)

Audit Manual

| | |
|------|---|
| A100 | INTRODUCTION |
| A200 | GENERAL STANDARDS |
| A220 | EXAMINATION STANDARDS |
| A230 | REPORTING STANDARD |
| A300 | IFTA AUDIT STANDARDS |
| A310 | NUMBER OF AUDITS |
| A320 | SELECTION OF AUDITS |
| A400 | PERSONNEL QUALIFICATIONS AND RESPONSIBILITIES |
| A410 | ADMINISTRATION |
| A420 | AUDIT STAFF |
| A500 | GENERAL GUIDELINES |
| A510 | UNIFORMITY |
| A520 | STANDARD APPROACH |
| A530 | SAMPLING |
| A540 | VERIFICATION OF LICENSEE RECORDS |
| A550 | INADEQUATE LICENSEE RECORDS/ASSESSMENT |
| A600 | THE AUDIT PROCESS |
| A610 | AUDIT NOTIFICATION |
| A620 | AUDIT COMMUNICATION BETWEEN JURISDICTIONS |
| A630 | OPENING CONFERENCE |
| A640 | EVALUATION OF INTERNAL CONTROLS |
| A650 | CLOSING CONFERENCE |
| A660 | AUDIT REPORTS |
| A670 | AUDIT DOCUMENTATION |
| A680 | AUDIT FILE CONTENT |
| A690 | COMMUNICATION OF AUDIT FINDINGS |
| A700 | COMPLIANCE |
| A710 | FOLLOW UP VISITS |
| A720 | REMINDER LETTERS |
| A730 | PRESUMPTION OF FINDINGS |

Subject

Changes are proposed for the Articles of Agreement, Audit Manual, and Procedures Manual.

History/Digest

This ballot proposal is being made to address:

1. Technological advances in the generation of records for Licensee operations. An increased reliance on electronic systems and their configuration have made many of the requirements contained in P500 and P600 obsolete. IRP requirements have been changed to address this fact. An effort has been made to match these requirements in regard to distance records.
2. The Audit Manual has been updated to include the member jurisdiction requirements for which members will be held accountable during Program Compliance Reviews. Items that are not requirements are moved to the Best Practices Guide. The use of "must/shall" and "should" are introduced where "must/shall" is an absolute requirement while "should" is a requirement that if not fulfilled requires documentation of why the action could not take place.

3. Licensee recordkeeping requirements located in the Procedures Manual have been consolidated into a single section under P500 and P600 has been deleted as a result.

Intent

1. Provide distance reporting requirements for IFTA that address technological advances in the recording of qualified motor vehicle travel, regardless of media.
2. Modify the Audit Manual to enhance uniformity in the conduct of audits and in the content of the Interjurisdictional audit report.

1 **Interlining Indicates Deletion; Underlining Indicates Addition**

2
3 **ARTICLES OF AGREEMENT**

4
5 **ARTICLE II**
6 **DEFINITIONS**

7
8 **R247** Records means information created, received, and maintained by an organization or person in the
9 transaction of business, or in the pursuance of legal obligations, regardless of media.

10
11 ***[ALL OTHER SECTIONS REMAIN UNCHANGED]***

12
13 **ARTICLE III**
14 **APPLICATION AND RENEWAL**

15
16 **R305 LICENSING REQUIREMENT**

17
18 Any person based in a member jurisdiction operating a qualified motor vehicle(s) in two or more
19 member jurisdictions is required to license under this Agreement, except as indicated in IFTA Articles
20 of Agreement Sections R310 and R500.

21
22 If a jurisdiction determines that a person required to become licensed under this Agreement has
23 failed to do so, the jurisdiction is specifically authorized to assess and collect any and all fuel taxes
24 due from such person for all member jurisdictions in accordance with IFTA Articles of Agreement
25 Sections R1100 and R1200.

26
27 **ARTICLE X**
28 **TAX PAID PURCHASES**

29
30 ***[SECTION *R1000 REMAINS UNCHANGED]***

31
32 ***R1010 RETAIL FUEL PURCHASES**

33 **.100** A licensee may claim a tax-paid credit on the IFTA tax return for fuel purchased
34 at retail only when the fuel is placed into the fuel tank of a qualified motor vehicle
35 and the purchase price includes fuel tax paid to a member jurisdiction.

36
37 **.200** The receipt must show evidence of tax paid directly to the applicable jurisdiction or
38 at the pump. Specific requirements for these receipts are outlined in the IFTA
39 Procedures Manual Section P550. No member jurisdiction shall require evidence of
40 such purchases beyond what is specified in the Procedures Manual.

41
42 **.300** In the case of a lessee/lessor agreement, receipts for tax-paid purchases may be in
43 the name of either the lessee or the lessor provided a legal connection can be made
44 to the tax reporting party.

45
46 ***R1020 BULK FUEL PURCHASES**

47 **.100** Storage fuel is normally delivered into fuel storage facilities by the licensee, and fuel
48 tax may or may not be paid at the time of delivery.

49
50 **.200** A licensee may claim a tax-paid credit on the IFTA tax return for fuel withdrawn
51 from bulk storage only when the fuel is placed into the fuel tank of a qualified

52 motor vehicle; the bulk storage tank is owned, leased, or controlled by the
53 licensee; and either the purchase price of the fuel includes fuel tax paid to the
54 member jurisdiction where the bulk fuel storage tank is located or the licensee
55 has paid fuel tax to the member jurisdiction where the bulk fuel storage tank is
56 located.

- 57
58 **.300** The licensee's records must identify the quantity of fuel taken from the licensee's
59 own bulk storage and placed in its qualified motor vehicles. Recordkeeping
60 requirements for tax paid bulk fuel purchases are provided in IFTA Procedures
61 Manual Section P550.

62
63 **ARTICLE XIII**
64 **AUDITS**

65
66 ***[SECTIONS *R1310 AND *R1360 REMAIN UNCHANGED]***

67
68 **~~R1320 UNLICENSED CARRIER AUDITS-AUDIT REQUIREMENTS~~**

69
70 ~~If a jurisdiction determines through a fuel use tax audit that a person required to become licensed~~
71 ~~with that jurisdiction under this Agreement has failed to do so, the jurisdiction is specifically~~
72 ~~authorized to assess and collect any and all fuel taxes due from such person for all member~~
73 ~~jurisdictions in accordance with IFTA Articles of Agreement Sections R1100 and R1200.~~

74
75 Audits conducted by member jurisdictions under this Article shall comply with all the requirements
76 contained in the Agreement, Procedures Manual and Audit Manual.

77
78 **~~*R1330-AUDIT REQUIREMENTS-MANUAL~~**

79
80 ~~Audits conducted by member jurisdictions shall be in compliance with all requirements~~
81 ~~established in the Agreement, Procedures Manual, and Audit Manual.~~

82
83 The Audit Manual shall contain rules for the performance of audits conducted under this
84 Agreement, and for the maintenance by member jurisdictions of an audit staff sufficient to perform
85 such audits.

86
87 **~~R1340-AUDIT MANUAL~~**

88
89 ~~The Audit Manual contains guidelines, forms, and audit methods which are in accordance with~~
90 ~~accepted audit practices, including criteria for sampling and selection procedures and audit file~~
91 ~~selection.~~

92
93 ~~The guidelines will relate to various attributes that may be indicative of noncompliance. Proof of~~
94 ~~operation information, such as vehicle observations, enforcement citations, etc., from all member~~
95 ~~jurisdictions will be used by the base jurisdiction in testing audit attributes. This proof of operation~~
96 ~~information will also be used in motor carrier audits to determine if specific trips associated with such~~
97 ~~information are accounted for in carrier records.~~

98
99 **~~R1350~~ REVIEW/REVISION OF AUDIT REQUIREMENTS**

- 100
101 **.100** The Audit Committee shall review the audit requirements of this Agreement at least once
102 every three years.

103
104 **.200** Proposed changes shall be subject to approval and adopted by the member
105 jurisdictions in accordance with IFTA Articles of Agreement Section R1600.

106
107 **.300** Changes to the Audit Manual shall not be effective with less than a one-year
108 notification, unless unanimously approved for an earlier date.

109
110 **R1350 JOINT AUDITS**

111
112 An audit of a licensee may be conducted jointly by the base jurisdiction and one or more other
113 member jurisdictions. In such cases, the base jurisdiction shall direct the conduct of the audit.
114 Non-base jurisdictions are responsible for their own audit expenses. Each member jurisdiction
115 that participates in a joint audit shall receive full credit under A250 for the performance of an
116 audit.

117
118 **R1370 JOINT AUDITS**

119
120 ~~In the event that the base jurisdiction requests assistance from other member jurisdictions in the~~
121 ~~conduct of an audit, all members participating in the audit shall receive credit toward achieving their~~
122 ~~audit requirements. In that event, the jurisdictions shall pay all the audit expenses.~~

123
124 **R1370 AUDIT REPORTS**

125
126 **.100** In accordance with A460, upon the completion of an audit, the base jurisdiction shall
127 provide an audit report to the licensee and to all member jurisdictions in which the
128 licensee reported or should have reported distance or fuel during the period covered by
129 the audit. The time periods specified in Sections R1360 and R1390 shall begin on the
130 date on which the base jurisdiction provides the final audit report to the licensee.

131
132 **.200** The base jurisdiction shall, on request, furnish copies of audit reports and audit work
133 papers to another member jurisdiction. A copy of the audit report, work papers,
134 supporting documentation and any pertinent post-audit communications must be
135 maintained by the base jurisdiction as part of the audit file for the period set forth in P910.

136
137 **.300** Any schedules and worksheets used to support the audit findings must be made
138 available to the licensee if requested.

139
140 **R1380 COMMUNICATION OF AUDIT FINDINGS**

141
142 Fuel tax adjustments resulting from audit findings will be documented and included on monthly
143 transmittals.

144
145 In the event that the results of an audit indicate funds owed to affected member jurisdictions and
146 the licensee remits payment in full on or before the due date established by the base jurisdiction,
147 such funds shall be remitted by the base jurisdiction to affected member jurisdictions in the
148 manner and at the time prescribed by P1040.

149
150 In the event the base jurisdiction sends or causes to be sent a transmittal to a member jurisdiction
151 which shows money owing to the base jurisdiction, the jurisdiction being billed shall remit
152 payment to the base jurisdiction as prescribed by P1040.

Should a licensee fail to remit payment in full on or before the due date established by the base jurisdiction, the base jurisdiction may choose one of the following options in remitting audit funds to affected member jurisdictions:

Option 1

The base jurisdiction may remit any additional money owed by a licensee to affected member jurisdictions when payment is received. Upon receipt of a partial payment, the base jurisdiction must remit the payment on a pro-rata basis to affected member jurisdictions by the last day of the month following the month in which payment is received from the licensee. Credits due the licensee from one or more affected member jurisdictions shall be considered a payment made by the licensee. Total credits due the licensee and actual payments made by the licensee shall be allocated to each affected member jurisdiction owed based on the following formula:

$$\frac{\text{Net Amount Due a Jurisdiction}}{\text{Total Amount Due all Jurisdictions}} \times \text{Credits and/or Payments Available to allocate}$$

Any audit liability identified by the base jurisdiction but not previously remitted by the base jurisdiction to the affected member jurisdictions, and which is deemed to be uncollectible for one or more of the reasons stated in the IFTA Procedures Manual Section P1060.200.010, must be reported to the affected member jurisdictions as such within 60 days of the after the uncollectible determination.

Option 2

The base jurisdiction may make payment of an audit liability in full to each affected member jurisdiction. If all or a portion of the funds originally remitted to the affected member jurisdictions is subsequently deemed uncollectible for one or more of the reasons stated in the IFTA Procedures Manual Section P1060.200.010, the base jurisdiction will be entitled to a refund of money previously remitted. If a portion of the money previously remitted is deemed to be uncollectible, the amount of the refund due from each affected member jurisdiction shall be calculated on a pro-rata basis applying the same formula set forth in Option1. Such refund shall be made by an adjustment to a future monthly transmittal. Adjustments made to previously remitted audit results deemed to be uncollectible must be indicated as such on the transmittal.

R1390 AUDIT APPEALS

The base jurisdiction shall provide a licensee at least 30 calendar days from the date the licensee is notified of the findings of an audit or a re-examination to file a written appeal of the audit or reexamination with the base jurisdiction. Such an appeal shall proceed in accordance with the administrative and appellate procedures of the base jurisdiction. Upon the conclusion of the appeal process, the base jurisdiction shall notify all affected member jurisdictions of the results of the appeal.

ARTICLE XV
MEMBERSHIP

***R1555 COMPLIANCE MATTERS**

.100 Dispute Resolution Process

Disputes concerning issues of compliance with the International Fuel Tax Agreement may

205 be resolved pursuant to the IFTA Dispute Resolution Process. The IFTA Dispute Resolution
206 Process may be utilized to resolve only:

207
208 .015 Compliance matters where (i) the Program Compliance Review Process,
209 including follow-up and/or reassessment, has been completed; (ii) a Final
210 Determination Finding of Non-Compliance has been issued by the Program
211 Compliance Review Committee related to Sections R970, R1210, R1230, R1260,
212 R1270, R1370, R1380, P1040, A310250 or A320260, and (iii) a
213 recommendation for initiation of a dispute from the Program Compliance Review
214 Committee has been approved by the member jurisdictions as defined in Article
215 R1555.300.

216
217 **.200 Submission of a Final Determination Finding of Non-Compliance to the Membership**

218
219 A Final Determination Finding of Non-Compliance issued by the Program Compliance
220 Review Committee related to Sections R970, R1210, R1230, R1260, R1270, R1370,
221 R1380, P1040, A250, or A260, shall be submitted to the membership to determine
222 whether a dispute will be initiated.

223
224 ***[ALL OTHER SECTIONS REMAIN UNCHANGED]***

225
226 **PROCEDURES MANUAL**

227
228 **P500 RECORDKEEPING**

229
230 **P510 RETENTION AND AVAILABILITY OF RECORDS**

231
232 A licensee shall retain the records of its operations to which IFTA reporting requirements apply for
233 a period of four years following the date the IFTA tax return for such operations was due or was
234 filed, whichever is later, plus any period covered by waivers or jeopardy assessments.

235
236 A licensee must preserve all fuel and distance records for the period covered by the quarterly tax
237 returns for any periods under audit in accordance with the laws of the base jurisdiction.

238
239 On request, the licensee shall make such records available for audit to any member jurisdiction.

240
241 If the licensee's records are not maintained in the base jurisdiction and the base jurisdiction's
242 auditors travel to the location where records are maintained, the base jurisdiction may require the
243 licensee to pay the base jurisdiction's reasonable per diem and travel expenses incurred by the
244 auditor or auditors in performance of an audit.

245
246 Following the expiration of the time within which an appeal or request for re-audit or
247 reexamination may be filed under R1360 and R1390, and except in cases of fraud, the findings of
248 an audit, re-audit, or reexamination shall be final as to all member jurisdictions and as to the
249 licensee audited.

250
251 Unless a waiver of the statute of limitations is granted by the licensee, no assessment for
252 deficiency or any refund shall be made for any period for which the licensee is not required to
253 retain records. A licensee's request for refund shall extend the period for which records
254 pertaining to the refund must be retained until the request is granted or denied.

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***P510 — PRESERVATION OF RECORDS**

~~.100 — The licensee is required to preserve the records upon which the quarterly tax return or annual tax return is based for four years from the tax return due date or filing date, whichever is later, plus any time period included as a result of waivers or jeopardy assessments.~~

~~.200 — Failure to provide records demanded for audit purposes extends the four year record retention requirement until the records are provided.~~

~~.300 — Records may be kept on microfilm, microfiche, or other computerized or condensed record storage system acceptable to the base jurisdiction.~~ **P520 BURDEN OF PROOF**

In an IFTA audit, the burden of proof is on the licensee. The audit will be completed using the best information available to the base jurisdiction.

P520 — AVAILABILITY OF RECORDS

~~.100 — Records shall be made available upon request by any member jurisdiction and shall be available for audit during normal business hours.~~

~~.200 — If records to be audited are located outside of the base jurisdiction, and the base jurisdiction must send auditors to the place records are kept, the licensee may be required to reimburse the base jurisdiction for reasonable per diem and travel expenses of its auditors as authorized by law.~~

P530 ADEQUACY OF RECORDS

The records maintained by a licensee under this article shall be adequate to enable the base jurisdiction to verify the distances traveled and fuel purchased by the licensee for the period under audit and to evaluate the accuracy of the licensee's distance and fuel accounting systems for its fleet.

The adequacy of a licensee's records is to be ascertained by the records' sufficiency and appropriateness. Sufficiency is a measure of the quantity of records produced; that is, whether there are enough records to substantially document the operations of the licensee's fleet. The appropriateness of the records is a measure of their quality; that is, whether the records contain the kind of information an auditor needs to audit the licensee for the purposes stated in the preceding paragraph. Records that are sufficient and appropriate are to be deemed adequate.

Provided a licensee's records are adequate under this definition, the records may be produced through any means, and retained in any format or medium available to the licensee and accessible by the base jurisdiction. If records are presented in a format or in a manner in which the base jurisdiction cannot audit them, they have not been made available as required.

Licensee records which do not contain all of the elements set out in P540, P550 and P560 may still, depending on the sufficiency and appropriateness of the records and of the licensee's operations, be adequate for an audit.

P530 — NON-COMPLIANCE

- 307
308 ~~.100~~ Failure to maintain records upon which the licensee's true liability may be determined or to
309 make records available upon proper request may result in an assessment as stated in IFTA
310 Articles of Agreement Section R1200.
311 ~~.200~~ Non-compliance with any recordkeeping requirement may be cause for revocation of the
312 license. The base jurisdiction may defer license revocation if the licensee shows evidence
313 of compliance for future operations.
314

P540 DISTANCE RECORDS

- 315
316
317 .100 Distance records produced by a means other than a vehicle-tracking system that
318 substantially document the fleet's operations and contain the following elements shall be
319 accepted by the base jurisdiction as adequate under this article:
320
321 .005 the beginning and ending dates of the trip to which the records pertain
322 .010 the origin and destination of the trip
323 .015 the route of travel
324 .020 the beginning and ending reading from the odometer, hubodometer, engine
325 control module (ECM), or any similar device for the trip
326 .025 the total distance of the trip
327 .030 the distance traveled in each jurisdiction during the trip
328 .035 the vehicle identification number or vehicle unit number
329
330 .200 Distance records produced wholly or partly by a vehicle-tracking system, including a
331 system based on a global positioning system (GPS):
332
333 .005 the original GPS or other location data for the vehicle to which the records
334 pertain
335 .010 the date and time of each GPS or other system reading, at intervals sufficient to
336 validate the total distance traveled in each jurisdiction
337 .015 the location of each GPS or other system reading
338 .020 the beginning and ending reading from the odometer, hubodometer, engine
339 control module (ECM), or any similar device for the period to which the records
340 pertain
341 .025 the calculated distance between each GPS or other system reading
342 .030 the route of the vehicle's travel
343 .035 the total distance traveled by the vehicle
344 .040 the distance traveled in each jurisdiction
345 .045 the vehicle identification number or vehicle unit number
346
347 .300 A licensee's reporting of distance may deviate slightly from a calendar quarter basis
348 provided that:
349
350 .005 the beginning and ending dates of the licensee's reported distance reflects a
351 consistent cut-off procedure,
352 .010 the deviations do not materially affect the reporting of the licensee's operations,
353 .015 the deviations do not materially delay the payment of taxes due,
354 .020 the cut-off dates for both distance and fuel are the same, and
355 .025 the base jurisdiction can reconcile the reported distance for the period through
356 audit.
357

358 ***P540 DISTANCE RECORDS**

- 359
- 360 ~~.100~~ Licensees shall maintain detailed distance records which show operations on an individual-
- 361 ~~vehicle basis. The operational records shall contain, but not be limited to:~~
- 362
- 363 ~~.005 Taxable and non-taxable usage of fuel;~~
- 364 ~~.010 Distance traveled for taxable and non-taxable use; and~~
- 365 ~~.015 Distance recaps for each vehicle for each jurisdiction in which the vehicle operated.~~
- 366
- 367 ~~.200~~ An acceptable distance accounting system is necessary to substantiate the information
- 368 ~~reported on the tax return filed quarterly or annually. A licensee's system at a minimum,~~
- 369 ~~must include distance data on each individual vehicle for each trip and be recapitulated in~~
- 370 ~~monthly fleet summaries. Supporting information should include:~~
- 371
- 372 ~~.005 Date of trip (starting and ending);~~
- 373 ~~.010 Trip origin and destination;~~
- 374 ~~.015 Route of travel (may be waived by base jurisdiction);~~
- 375 ~~.020 Beginning and ending odometer or hubodometer reading of the trip (may be waived~~
- 376 ~~by base jurisdiction);~~
- 377 ~~.025 Total trip miles/kilometers;~~
- 378 ~~.030 Miles/kilometers by jurisdiction;~~
- 379 ~~.035 Unit number or vehicle identification number;~~
- 380 ~~.040 Vehicle fleet number;~~
- 381 ~~.045 Registrant's name; and~~
- 382 ~~.050 may include additional information at the discretion of the base jurisdiction.~~
- 383

384 **P550 FUEL RECORDS**

- 385
- 386 .100 The licensee shall maintain complete records of all motor fuel purchased, received, or
- 387 used in the conduct of its business, and on request, produce these records for audit. The
- 388 records shall be adequate for the auditor to verify the total amount of fuel placed into the
- 389 licensee's qualified motor vehicles, by fuel type.
- 390
- 391 .110 Retail fuel purchases include all those purchases where a licensee buys fuel from a retail
- 392 station or a bulk storage facility that the licensee does not own, lease, or control.
- 393
- 394 .200 The base jurisdiction shall not accept, for purposes of allowing tax-paid credit, any fuel
- 395 record that has been altered, indicates erasures, or is illegible, unless the licensee can
- 396 demonstrate that the record is valid.
- 397
- 398 .210 The base jurisdiction shall not allow tax-paid credit for any fuel placed into a vehicle other
- 399 than a qualified motor vehicle.
- 400
- 401 .220 The base jurisdiction shall not allow a licensee credit for tax paid on a retail fuel purchase
- 402 unless the licensee produces, with respect to the purchase:
- 403
- 404 .005 a receipt, invoice, or transaction listing from the seller,
- 405 .010 a credit-card receipt,
- 406 .015 a transaction listing generated by a third party, or
- 407 .020 an electronic or digital record of an original receipt or invoice.
- 408

- 409 .300 For tax-paid credit, a valid retail receipt, invoice, or transaction listing must contain:
410
411 .005 the date of the fuel purchase
412 .010 the name and address of the seller of the fuel (a vendor code, properly identified,
413 is acceptable for this purpose)
414 .015 the quantity of fuel purchased
415 .020 the type of fuel purchased
416 .025 the price of the fuel per gallon or per liter, or the total price of the fuel purchased
417 .030 the identification of the qualified motor vehicle into which the fuel was placed
418 .035 the name of the purchaser of the fuel (where the qualified motor vehicle being
419 fuelled is subject to a lease, the name of either the lessor or lessee is acceptable
420 for this purpose, provided a legal connection can be made between the
421 purchaser named and the licensee)
422
423 .400 The licensee shall retain the following records for its bulk storage facilities:
424
425 .005 receipts for all deliveries
426 .010 quarterly inventory reconciliations for each tank
427 .015 the capacity of each tank
428 .020 bulk withdrawal records for every bulk tank at each location
429
430 .500 The base jurisdiction shall not allow a licensee tax-paid credit for fuel withdrawn by the
431 licensee from its bulk fuel storage facilities unless the licensee produces records that
432 show:
433
434 .005 the purchase price of the fuel delivered into the bulk storage includes tax paid to
435 the member jurisdiction where the bulk storage is located, or
436 .010 the licensee has paid fuel tax to the member jurisdiction where the bulk storage
437 is located.
438
439 .600 The licensee shall produce for audit records that contain the following elements for each
440 withdrawal from its bulk storage facilities:
441
442 .005 the location of the bulk storage from which the withdrawal was made
443 .010 the date of the withdrawal
444 .015 the quantity of fuel withdrawn
445 .020 the type of fuel withdrawn
446 .025 the identification of the vehicle or equipment into which the fuel was placed
447
448 .700 When alternative fuels are purchased or stored in bulk, these same requirements shall
449 apply, in so far as they are practicable. In instances where, with respect to an alternative
450 fuel, a licensee cannot practicably comply with these requirements, the licensee must
451 maintain records that fully document its purchase, storage, and use of that alternative
452 fuel.
453
454 .800 A licensee's reporting of fuel may deviate slightly from a calendar quarterly basis
455 provided that:
456
457 .005 the beginning and ending dates of the licensee's reported fuel reflects a
458 consistent cut-off procedure,
459 .010 the deviations do not materially affect the reporting of the licensee's

460 operations.
461 .015 the deviations do not materially delay the payment of taxes due,
462 .020 the cut-off dates are the same for distance and fuel, and
463 .025 the base jurisdiction can reconcile the fuel reported in the period through audit.
464

465 ***P550 FUEL RECORDS**

466 .100 The licensee must maintain complete records of all motor fuel purchased, received, and
467 used in the conduct of its business.

468
469 .200 Separate totals must be compiled for each motor fuel type.

470
471 .300 Retail fuel purchases and bulk fuel purchases are to be accounted for separately.

472
473 .400 The fuel records shall contain, but not be limited to:

474
475 .005 The date of each receipt of fuel;

476
477 .010 The name and address of the person from whom purchased or received;

478
479 .015 The number of gallons or liters received;

480
481 .020 The type of fuel; and

482
483 .025 The vehicle or equipment into which the fuel was placed.
484
485

486 ***P560 TAX PAID RETAIL PURCHASES**

487
488 .100 Retail purchases must be supported by a receipt or invoice, credit card receipt, automated
489 vendor generated invoice or transaction listing, or microfilm/microfiche of the receipt or
490 invoice. Receipts that have been altered or indicate erasures are not accepted for tax paid
491 credits unless the licensee can demonstrate the receipt is valid.

492
493 .200 Receipts for retail fuel purchases must identify the vehicle by the plate or unit number or
494 other licensee identifier, as distance traveled and fuel consumption may be reported only for
495 vehicles identified as part of the licensee's operation.

496
497 .300 An acceptable receipt or invoice must include, but shall not be limited to, the following:

498
499 .005 Date of purchase;

500
501 .010 Seller's name and address;

502
503 .015 Number of gallons or liters purchased;

504
505 .020 Fuel type;

506
507 .025 Price per gallon or liter or total amount of sale;

508
509 .030 Unit numbers; and
510

511 .035 — Purchaser's name (See R1010.300 of the IFTA Articles of Agreement).
512

513 **P560 SUMMARIES**
514

515 A monthly summary of the fleet's operations reported on the corresponding quarterly tax return that
516 includes the distance traveled by and the fuel placed into each vehicle in the fleet during the quarter, both
517 in total and by jurisdiction, may be necessary for the efficient audit of the licensee's records. The licensee
518 shall make such summaries available for audit upon due notice and demand by the base jurisdiction.
519

520 ***P570 TAX PAID BULK FUEL PURCHASES**
521

522 ~~.100 — Bulk fuel is delivered into a storage tank owned, leased or controlled by the licensee and~~
523 ~~not delivered directly by the vendor into the supply tank of the qualified motor vehicle.~~
524 ~~Fuel tax may or may not be paid by the licensee to the vendor at the time of the bulk fuel~~
525 ~~delivery. Copies of all delivery tickets and/or receipts must be retained by the licensee.~~
526

527 ~~.200 — Receipts that have been altered or indicate erasures are not accepted for tax-paid credits~~
528 ~~unless the licensee can demonstrate the receipt is valid.~~
529

530 ~~.300 — Bulk fuel inventory reconciliations must be maintained. For withdrawals from bulk storage,~~
531 ~~records must be maintained to distinguish fuel placed in qualified vehicles from other uses.~~
532

533 ~~.400 — A licensee may claim a tax-paid credit on the IFTA tax return for bulk fuel only when the~~
534 ~~bulk storage tank from which the fuel is withdrawn is owned, leased or controlled by the~~
535 ~~licensee; the fuel is placed into the fuel tank of a qualified motor vehicle; and either the~~
536 ~~purchase price of the fuel includes tax paid to the member jurisdiction where the bulk fuel~~
537 ~~storage tank is located or the licensee has paid fuel tax to the member jurisdiction where~~
538 ~~the bulk fuel storage tank is located. The licensee shall maintain the following records:~~
539

540 ~~.005 — Date of withdrawal;~~

541 ~~.010 — Number of gallons or liters;~~

542 ~~.015 — Fuel type;~~

543 ~~.020 — Unit number; and~~

544 ~~.025 — Purchase and inventory records to substantiate that tax was paid on all bulk~~
545 ~~purchases.~~
546

547 ~~.500 — Upon application by the licensee, the base jurisdiction may waive the requirement of unit~~
548 ~~numbers for fuel withdrawn from the licensee's own bulk storage and placed in its qualified~~
549 ~~motor vehicles. The licensee must show that adequate records are maintained to~~
550 ~~distinguish fuel placed in qualified vs. non-qualified motor vehicles for all member~~
551 ~~jurisdictions.~~
552

553 **P570 INADEQUATE RECORDS ASSESSMENT**
554

555 .100 If the base jurisdiction determines that the records produced by the licensee for audit do
556 not, for the licensee's fleet as a whole, meet the criterion for the adequacy of records set
557 out in P530, or after the issuance of a written demand for records by the base jurisdiction,
558

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562 the licensee produces no records, the base jurisdiction shall impose an additional
563 assessment by either:
564
565 .005 adjusting the licensee's reported fleet MPG to 4.00 or 1.70 KPL; or
566
567 .010 reducing the licensee's reported MPG or KPL by twenty percent.
568
569 .200 This section does not affect the ability of a base jurisdiction to disallow tax-paid credit for
570 fuel purchases which are inadequately documented, or, for cause, to conduct a best
571 information available audit which may result in adjustments to either the audited or
572 reported MPG or KPL, suspend, revoke, or cancel the license issued to a licensee.
573

574 ~~*P600~~ ~~ELECTRONIC DATA RECORDING SYSTEMS~~

575
576 ~~*P610~~ ~~OPTIONAL USE FOR FUEL TAX REPORTING~~

577
578 ~~On-board recording devices, vehicle tracking systems, or other electronic data recording systems~~
579 ~~may be used (at the option of the carrier) in lieu of or in addition to handwritten trip reports for tax~~
580 ~~reporting. Other equipment monitoring devices that transmit data or may be interrogated as to~~
581 ~~vehicle location or travel may be used to supplement or verify handwritten or electronically generated~~
582 ~~trip reports.~~

583
584 ~~Any device or electronic system used in conjunction with a device shall meet the requirements stated~~
585 ~~in this Section.~~

586
587 ~~On-board recording or vehicle tracking devices may be used in conjunction with manual systems or~~
588 ~~in conjunction with computer systems.~~

589
590 ~~*P620~~ ~~DEVICES USED WITH MANUAL SYSTEMS~~

591
592 ~~All recording devices must meet the requirements stated in IFTA Procedures Manual Section P640~~
593 ~~and P660.~~

594
595 ~~When the device is to be used alone, printed reports must be produced which replace handwritten~~
596 ~~trip reports. The printed trip reports shall be retained for audit. Vehicle and fleet summaries which~~
597 ~~show miles and kilometers by jurisdiction must then be prepared manually.~~

598
599 ~~P630~~ ~~DEVICES USED WITH COMPUTER SYSTEMS~~

600
601 ~~The entire system must meet the requirements stated in IFTA Procedures Manual Sections P640,~~
602 ~~P650, and P660.~~

603
604 ~~If the printed trip reports will not be retained for audit, the system must have the capability of~~
605 ~~producing, upon request, the reports indicated in IFTA Procedures Manual Section P640.~~

606
607 ~~When the computer system is designed to produce printed trip reports, vehicle and fleet summaries~~
608 ~~which show miles and kilometers by jurisdiction must also be prepared.~~

609
610 ~~*P640~~ ~~DATA COLLECTION REQUIREMENTS~~

611
612 ~~To obtain the information needed to verify fleet distance and to prepare the "Individual Vehicle~~

613 Distance Record”, the device must collect the following data on each trip.
614

615

616 **.100 — Required Trip Data**

617

.005 — Date of Trip (starting and ending);

618

619

.010 — Trip origin and destination (location code is acceptable);

620

621

.015 — ~~Routes of travel or latitude/longitude positions used in lieu thereof (may be waived by base jurisdiction). If latitude/longitude positions are used, they must be accompanied by the name of the nearest town, intersection or cross street. If latitude/longitude positions are used, jurisdiction crossing points must be calculated or identified;~~

622

623

624

625

626

.020 — Beginning and ending odometer or hubodometer reading of the trip (may be waived by base jurisdiction);

627

628

629

.025 — Total trip distance;

630

631

.030 — Distance by jurisdiction;

632

633

.035 — Power unit number or vehicle identification number;

634

635

.040 — Vehicle fleet number; and

636

637

.045 — Registrant's name.

638

639

640 **.200 — Optional Trip Data** (may be included at the discretion of the base jurisdiction)

641

.005 — Driver ID or name; and

642

643

.010 — Intermediate trip stops.

644

645

646 **.300 — Fuel Data**

647

For purposes of fuel tax reporting, the device must collect the following data:

648

649

.005 — Date of purchase;

650

651

.010 — Seller's name and address (vendor code acceptable);

652

653

.015 — Number of gallons or liters purchased;

654

655

.020 — Fuel type (may be referenced from vehicle file);

656

657

.025 — Price per gallon or liter or total amount of sale (required only for purchases from vendors);

658

659

.030 — Unit numbers; and

660

661

.035 — Purchaser's name (in the case of lessee/lessor agreement, receipts will be accepted

662

663

664 in either name, provided a legal connection can be made to reporting party).

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.400 Bulk Fuel Data

For purposes of bulk fuel tax, the device must collect, in addition, the following data:

.005 Date of withdrawal;

.010 Number of gallons or liters;

.015 Fuel type;

.020 Unit number; and

.025 Purchase and inventory records to substantiate that tax was paid on all bulk purchases.

***P650 REPORTING REQUIREMENTS**

The following reports may be prepared by an electronic computer system which accepts data from on-board recording or vehicle tracking devices rather than the recording device itself. The system shall be able to produce the following reports:

.100 Trip Reports

An individual Vehicle Distance Record (IVDR) report for each trip that includes the information required in IFTA Procedures Manual Section P640. (Note: This report may be more than one page.)

.200 Summary Reports for Individual Vehicles

Monthly, quarterly, and annual summaries of vehicle trips by vehicle number showing miles or kilometers by jurisdiction.

.300 Summary Reports for Fleets

Monthly, quarterly, and annual trip summaries by fleet showing the number of miles or kilometers by jurisdictions.

.400 Exception Reports

Exceptions that identify all edited data, omissions of required data (see IFTA Procedures Manual Section P640), system failures, noncontinuous life-to-date odometer readings, travel to noncontiguous jurisdictions, and trips where the location of the beginning trip is not the location of the previous trip must be identified.

.500 Calibration Reports

.005 In cases where speed/rpm sensors or odometer/speedometer interface devices are providing pulse inputs to the on-board computer, the system will record the calibration factors used in calculating mileage at time of download from the vehicle to the base

715 computer.
716
717 .010 The fleet shall also keep accurate records of all Engine Control Module
718 calibrations
719

720 ***P660 MINIMUM DEVICE REQUIREMENTS**

721
722 **.100 Certification of Testing**
723

724 The carrier must obtain a certificate from the manufacturer certifying that the design of the
725 on-board recording or vehicle tracking device has been sufficiently tested to meet the
726 requirements of this provision.
727

728 **.200 Security**
729

730 The on-board recording or vehicle tracking device and associated support systems must be,
731 to the maximum extent practicable, tamperproof, and must not permit altering of the
732 information collected. Editing the original information collected will be permitted. All editing
733 must be identified, and both the edited and original data must be recorded and retained.
734

735 **.300 Function Warning**
736

737 The on-board recording or vehicle tracking device shall warn the driver visually and/or
738 audibly that the device has ceased to function.
739

740 **.400 Time and Date Stamping**
741

742 The device must time and date stamp all data recorded.
743

744 **.500 Memory Full Warning**
745

746 The device must not allow data to be overwritten before the data has been extracted.
747 The device shall warn the driver visually and/or audibly that the device's memory is full
748 and can no longer record data.
749

750 **.600 Odometer Update**
751

752 The device must automatically update a life-to-date odometer when the vehicle is placed in
753 motion or the operator must enter the current vehicle odometer reading when the on-board
754 recording or vehicle tracking device is connected to the vehicle.
755

756 **.700 Confirmation of Data Entered**
757

758 The device must provide a method for the driver to confirm that the entered data is correct
759 (e.g., a visual display of the entered data that can be reviewed and edited by the driver
760 before the data is finally stored).
761

762 ***P670 CARRIER RESPONSIBILITIES**

763
764 **.100 Recalibration**
765

766 It is the carrier's responsibility to recalibrate the on-board recording device on mechanical or
767 electronic installations when the tire size changes, the vehicle drive train is modified, or any
768 modifications are made to the vehicle which affect the accuracy of the on-board recording
769 device. The device must be maintained and recalibrated in accordance with the
770 manufacturer's specifications. A record of recalibrations must be retained for the audit
771 retention period.
772

773 **.200 — Data Backup**

774 It is the carrier's responsibility to maintain a second copy (back-up copy) of the electronic
775 files either electronically or in paper form for the audit retention period.
776
777

778 **.300 — Electronic Data Transfers**

779 At the discretion of the jurisdiction, carriers may submit records for audit to the jurisdiction
780 through electronic data transfer.
781
782

783 **.400 — Training of Drivers**

784 It is the carrier's responsibility to assure its drivers are trained in the use of the computer
785 system. Drivers shall be required to note any failures of the on-board recording or vehicle
786 tracking device and to prepare manual trip reports of all subsequent trip information until the
787 device is again operational.
788
789

790 **.500 — Compliance**

791 It is the carrier's responsibility to assure the entire recordkeeping system meets the
792 requirements of IFTA. It is suggested that the carrier contact the base jurisdiction IFTA Audit
793 Section for verification of audit compliance prior to implementation.
794
795

796 **AUDIT MANUAL**

797 **INTRODUCTION**

798 ***A100**

800 The purpose of these guidelines is to establish a uniform procedure for International Fuel Tax
801 Agreement (IFTA) jurisdictions to follow in establishing jurisdiction audit procedures, employing
802 and supervising audit staff, planning and conducting audits, and reporting audit findings. This
803 procedure eliminates the need for licensees to sustain multiple audits. Further, since an accurate
804 and reliable distance accounting system is an important requirement of both the International
805 Registration Plan (IRP) and IFTA agreements, jurisdictions are encouraged to perform IRP and
806 IFTA audits simultaneously if they are members of both agreements.
807
808

809 The IFTA requires licensees to pay fuel taxes to each participating jurisdiction commensurate
810 with the distance traveled in each jurisdiction. To fulfill this requirement, an effective and uniform
811 audit program is necessary to verify the integrity of IFTA tax returns. It is essential that the basic
812 audit program adopted by each jurisdiction be uniform and thorough to insure accuracy. It is each
813 jurisdiction's responsibility to provide an adequate audit staff, to conduct an accurate audit in a
814 professional manner, and to submit a full report to each member jurisdiction in which the licensee
815 operated.
816

817 Under the provisions of IFTA, the jurisdiction administrator shall audit the tax returns and
818 supporting documents of licensees based in that jurisdiction. Upon completion of any such audit,
819 the administrator shall notify the licensee and member jurisdictions in which distance was
820 accrued as to the accuracy of the licensee's IFTA tax returns.

821
822 Audit is a critical element of ensuring compliance with the International Fuel Tax Agreement
823 (IFTA). Under the provisions of IFTA, a member jurisdiction must audit, on behalf of all member
824 jurisdictions, the tax returns and supporting documents of licensees based in that jurisdiction. The
825 purpose of this manual is to set standards for auditors and member jurisdictions and to provide
826 guidance and procedures specifically for the performance of IFTA audits.

827
828 The Audit Manual is the basis used by the Program Compliance Review Committee (PCRC) in
829 evaluating a member jurisdiction's compliance with the audit requirements as set forth in Article
830 XIII of the Agreement. When the Audit Manual uses the word "must" or "shall" in connection with
831 a procedure, this indicates an unconditional requirement for a member jurisdiction and a subject
832 for compliance review. The use of the word "should" in the Audit Manual also indicates a
833 requirement for a member jurisdiction, although one where noncompliance will be accepted if the
834 jurisdiction has documented the relevant circumstances and the reasons for not complying. In all
835 instances where deviation is required, the rationale to support the deviation must be documented
836 in the work papers.

837
838 ***A200 GENERAL AUDITING AUDIT PROGRAM STANDARDS**

839
840 Each member jurisdiction must use an audit program. An audit program provides for uniformity
841 and consistent application of audit procedures, serves as a training tool for new auditors, and
842 facilitates the review of the audit. An audit program does not preclude the use of auditor
843 judgment. Deviations from an audit program are acceptable if they are reasonable given the
844 audit circumstances.

845
846 **A210 GENERAL STANDARDS PROFICIENCY AND DUE PROFESSIONAL CARE**

847
848 The audit is to be performed and the audit report prepared by a person or persons having
849 adequate technical training and proficiency in auditing, while exercising due professional care and
850 maintaining an objective state of mind.

851
852 **.100 Training and Proficiency**

853
854 The examination is to be performed by a person or persons having adequate technical
855 training and proficiency in auditing as outlined in Section A400 of this Manual.

856
857 **.200 Auditor Independence**

858
859 In all matters relating to the assignment, an independence in mental attitude is to be
860 maintained by the auditor. The independent auditor must be without bias with respect to the
861 licensee under audit to ensure the impartiality necessary for the dependability of the findings.
862 However, this independence does not imply the attitude of a prosecutor, but rather a judicial
863 impartiality that recognizes an obligation to fairness.

864
865 **.300 Professional Care**

866
867 Due professional care is to be exercised in performing the examination and preparing the

868 report.

869

870 ***A220 EXAMINATION STANDARDS AUDITOR INDEPENDENCE**

871

872 The audit engagement, the audit organization and the individual auditor, whether government,
873 public or contracted by a member jurisdiction, must be free from personal, external, and
874 organizational impairments to independence, and must avoid the appearance of such
875 impairments to independence.

876

877 **.100 Preaudit Analysis**

878

879 ~~Preaudit analysis shall be conducted and documented. Documentation shall include, but~~
880 ~~is not limited to, an analysis of information reported on the IFTA returns for any unusual~~
881 ~~areas or trends that might need further examination~~

882 **.200 Study and Evaluation**

883

884 ~~The auditor is to make a proper study and evaluation of the licensee's internal accounting~~
885 ~~controls to determine their reliability and the extent to which auditing procedures are to be~~
886 ~~restricted.~~

886

887 ***A230 REPORTING STANDARD PLANNING AND SUPERVISION**

888

889 The base jurisdiction shall adequately plan and supervise audits, and shall maintain
890 documentation of such planning and supervision in the audit files. Documentation of these
891 factors, by way of example, include work papers showing analysis of reported figures,
892 observations regarding the licensee's account, and records of communication between the
893 auditor and his or her supervisor. Documentation that the auditor's proposed audit results were
894 reviewed for accuracy and for compliance with IFTA requirements shall be included in the audit
895 file.

896

897 ~~The report shall contain a clear statement of the scope of the audit and must also clearly state and~~
898 ~~describe the results of the auditor's examination.~~

899

900 ***A240 AUDITOR QUALIFICATIONS AND RESPONSIBILITIES**

901

902 .100 Each member jurisdiction is responsible for the staffing of qualified auditors based on the
903 member jurisdiction's personnel guidelines.

904

905 .200 Auditors should conduct themselves in a manner promoting cooperation and good
906 relations with licensees and member jurisdictions.

907

908 .300 Auditors must give all licensees and member jurisdictions fair consideration.

909

910 .400 Each member jurisdiction must ensure its auditors maintain proficiency in IFTA auditing
911 by providing training opportunities through internal or external training sources.

912

913 .500 The auditor must make a reasonable attempt to verify information reported on the tax
914 returns.

915

916 **A250 NUMBER OF AUDITS**

917

918 Base jurisdictions will be held accountable for audits and will be required to complete audits of an

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919 average of 3 percent per year of the number of IFTA accounts required to be reported by that
920 jurisdiction on the annual reports filed pursuant to the IFTA Procedures Manual, Section
921 P1110.300.005 excluding new licensees, for each year of the program compliance review period,
922 other than the jurisdiction's IFTA implementation year. Such audits shall cover at least one
923 license year. This does not preclude audits of individual licensees several times during the
924 program compliance review period. However, audits of a single licensee that cover multiple
925 license years, fuel types, or both shall be counted as one audit for program compliance review
926 purposes.

927 **A260 SELECTION OF AUDITS**

928 The following guidelines shall be used in selecting audits to fulfill the IFTA auditing requirements:

929 **.100 Low-Distance/High-Distance Accounts Requirement**

930 At least 15 percent of each member jurisdiction's audit requirement shall involve low-
931 distance accounts. Low-distance accounts are considered to be the 25 percent of the
932 previous year's licensees who had the lowest number of miles/kilometers reported in all
933 member jurisdictions. At least 25 percent of each member jurisdiction's audit requirement
934 shall involve high-distance accounts. High-distance accounts are considered to be the 25
935 percent of the previous year's licensees who had the highest number of miles/kilometers
936 reported in all member jurisdictions.

937 **.200 Low-Distance/High-Distance Computations**

938 Low-distance computations and high-distance computations shall be based on total
939 miles/kilometers reported by all IFTA licensees included on the annual report filed by the
940 jurisdiction pursuant to the IFTA Procedures Manual, Section P1110.300.005 excluding
941 new licensees, but including licensees who report no operations during a quarter, for the
942 first three quarters of each calendar year.

943 **A300 IFTA AUDITING STANDARDS AUDIT PROCEDURES**

944 ***A310 NUMBER OF AUDITS PRELIMINARY AUDIT PROCEDURES**

945 Base jurisdictions will be held accountable for audits and will be required to complete audits of an
946 average of 3 percent per year of the number of IFTA accounts required to be reported by that
947 jurisdiction on the annual reports filed pursuant to the IFTA Procedures Manual, Section
948 P1110.300.005 excluding new licensees, for each year of the program compliance review period,
949 other than the jurisdiction's IFTA implementation year. Such audits shall cover at least one
950 license year. This does not preclude audits of individual licensees several times during the
951 program compliance review period. However, audits for a licensee selected that cover multiple
952 license years, fuel types, or both shall be counted as one audit for program compliance review
953 purposes.

954 The purpose of performing preliminary audit procedures is to familiarize the auditor with the
955 licensee's business and reporting history.

956 **.100** The auditor must identify, and document in the audit file, the licensee's vehicles operated
957 in the audit period, and vehicle characteristics that might affect the audit.

1021 and fuel accounting systems, must be documented in the audit report.

1022
1023 **A330 SAMPLING AND PROJECTION**

1024
1025 Unless a specific situation dictates, all audits will be conducted on a sampling basis.

1026
1027 .100 Sample period(s) must be representative of the licensee's operations.

1028
1029 .200 Sample period(s) may be different for member jurisdictions due to seasonal
1030 operations.

1031 When the summary information does not match information reported on the quarterly returns, the
1032 auditor must attempt to determine the reason for the discrepancy. The auditor must also
1033 determine whether to project the sample findings per the summaries or tax returns. It is generally
1034 preferable to project to summary distance and fuel (corrected as necessary). The auditor must
1035 document in the audit file and note in the audit report the conclusions made as to whether the
1036 distance and fuel per summary or tax return has sufficient accuracy and reliability to be used in
1037 sampling projections.

1038
1039 If the base jurisdiction utilizes a distance software program to verify the records of the licensee,
1040 that software program shall be used as an audit tool for verification of reported distances.

1041
1042 **A340 UNREPORTED DISTANCE**

1043
1044 If the auditor discovers distance that was unreported, and cannot ascertain where that distance
1045 was traveled, the distance shall be allocated using a rational and unbiased approach. The
1046 reasoning for the approach must be documented in the audit file.

1047
1048 **A350 AUDIT ADJUSTMENTS**

1049
1050 .100 When records for the fleet as a whole are adequate for audit, the base jurisdiction shall
1051 have the authority to adjust the MPG or KPL.

1052
1053 .200 In instances where the records for specific vehicles in the fleet under audit are
1054 substantially impaired or missing, the base jurisdiction may make audit adjustments for
1055 fuel and distance for those vehicles based on factors such as:

1056
1057 .005 Prior experience of the licensee;

1058
1059 .010 Licensees with similar operations;

1060
1061 .015 Other vehicles in the fleet with similar operations;

1062
1063 .020 Industry averages;

1064
1065 .025 Records available from fuel distributors or other third parties;

1066
1067 .030 Other pertinent information the base jurisdiction may obtain or examine;

1068
1069 .300 If the base jurisdiction determines that such factors as those in A350.200 fail to provide a
1070 basis to support an audit adjustment, the jurisdiction may, for the specific vehicles at
1071 issue, either

- 1072
1073 .005 reduce the vehicle MPG or KPL by 20% or
1074
1075 .010 adjust the vehicle MPG to 4.00 or the KPL to 1.7.
1076
1077 .400 Nothing in this section shall affect the grant or denial of credits for tax-paid fuel in
1078 accordance with P550.
1079

1080 **A360 REDUCTION TO TOTAL FUEL**

1081 The total fuel reported by a licensee shall only be reduced when there is clear proof, based on the
1082 records provided by the licensee, to support such a reduction and such proof is documented in
1083 the audit file. The absence of tax paid fuel receipts and a subsequent denial of tax-paid credits
1084 claimed does not, in and of itself, warrant a reduction to reported total gallons.
1085
1086

1087 **A400 PERSONNEL QUALIFICATIONS AND RESPONSIBILITIES AUDIT COMMUNICATIONS**

1088 All audit communication, both written and oral, must be documented in the audit file.
1089

1090 ~~***A410 ADMINISTRATION**~~

- 1091
1092
1093 ~~.100 Member jurisdictions are responsible for the staffing of auditors who meet the qualifications~~
1094 ~~of that jurisdiction's personnel guidelines.~~
1095
1096 ~~.200 Member jurisdictions are responsible for proper training of audit and audit support staffs in~~
1097 ~~audit planning and audit procedures. There must be supervisory follow-up and review of the~~
1098 ~~auditor's procedures.~~
1099
1100 ~~.300 Member jurisdictions are responsible for the actions of their auditors.~~
1101
1102 ~~.400 The audit file shall contain documentation that any adjustments were reviewed and~~
1103 ~~discussed with licensees representative prior to or concurrently with the issuance of the~~
1104 ~~final audit report unless the licensees are unavailable and this is noted by the auditor in~~
1105 ~~the audit report.~~
1106

1107 **A410 COMMUNICATIONS BETWEEN JURISDICTIONS**

1108 Jurisdictions may contact each other to obtain pertinent information in accordance with each
1109 jurisdiction's disclosure policy.
1110

1111 ~~***A420 AUDIT STAFF**~~

- 1112
1113
1114 ~~.100 All licensees are subject to audit. In all matters relating to the audit work, the audit~~
1115 ~~organization and the individual auditors must be personally and organizationally~~
1116 ~~independent from the licensee.~~
1117
1118 ~~.200 Auditors must conduct audits giving each member jurisdiction equal consideration.~~
1119
1120 ~~.300 Auditors shall audit all licensees under a uniform program unless special circumstances~~
1121 ~~that dictate otherwise are documented.~~
1122

1123 **A420 NOTIFICATION**

1124
1125 .100 The licensee should be contacted at least 30 days prior to the conduct of an audit.
1126 Through the initial or subsequent audit contacts, the licensee must be advised of the
1127 audit period, the type of records to be audited, and the proposed audit start date.

1128
1129 .200 The base jurisdiction may begin the audit within the 30 day notification period with
1130 agreement from the licensee, or for just cause.

1131
1132 **A430 REQUEST FOR RECORDS**

1133
1134 The auditor must request the appropriate records to conduct an audit of the selected audit period.

1135
1136 **A440 OPENING CONFERENCE**

1137
1138 A documented opening conference should be held with the licensee to discuss the licensee's
1139 operations, distance and fuel accounting system, audit procedures, records to be examined,
1140 sample period, sampling procedures, etc.

1141
1142 **A450 CLOSING CONFERENCE**

1143
1144 A documented closing conference should be held with the licensee during which any areas of
1145 non-compliance, and any requirements and recommendations for improvement to the distance
1146 and fuel accounting systems are discussed.

1147
1148 **A460 AUDIT REPORT**

1149
1150 An audit report, including a narrative and a billing summary documenting the audit, must be
1151 prepared by the base jurisdiction and provided to the licensee and all affected member
1152 jurisdictions. Where appropriate a checklist may serve this purpose. A copy of the audit report
1153 must be kept in the audit file. The base jurisdiction should send the audit report to all affected
1154 jurisdictions at the same time it sends the final report to the licensee. The audit report must
1155 contain:

1156
1157 .100 General Information:
1158
1159 .005 Name of base jurisdiction
1160 .010 Auditor's name
1161 .015 Licensee's name
1162 .020 Licensee's address
1163 .025 Licensee's phone (where required)
1164 .030 Licensee's representative
1165 .035 Account number
1166 .040 Fleet number (where applicable)
1167 .045 USDOT number (where required)
1168 .050 Audit Period
1169 .055 Summary of licensee's business operations
1170 .060 Note trends or variances

1171
1172 .200 Summary of the Evaluation of Internal Controls:

1173

- 1174 .005 Reliability of internal controls
- 1175 .010 Strengths and weaknesses in internal controls
- 1176 .015 Changes in the licensee's accounting procedures during the audit period
- 1177
- 1178 .300 The opening and closing conference dates and attendees or reason why, if not held
- 1179
- 1180 .400 Sampling Methodology Information:
- 1181
- 1182 .005 Description of sampling methodology or reason sampling was not performed
- 1183 .010 The periods and vehicles sampled
- 1184
- 1185 .500 Distance and Fuel Examination:
- 1186
- 1187 .005 Identify source documents used by the licensee to determine distance and fuel
- 1188 .010 Identify the information in the source documents
- 1189 .015 Describe procedures used to verify reported distance, fuel and MPG/KPL
- 1190 .020 Explanation of distance and fuel adjustments
- 1191 .025 Note any discrepancies between summaries and licensee's tax returns
- 1192 .030 Auditor's evaluation of adequacy of records
- 1193
- 1194 .600 Summary:
- 1195
- 1196 .005 The report must indicate the procedures, findings, any requirements to become
- 1197 compliant and any additional information deemed necessary.
- 1198
- 1199 .700 Billing Summary:
- 1200
- 1201 .005 Net distance adjustment in total;
- 1202 .010 Net distance adjustment by jurisdiction;
- 1203 .015 Net tax paid fuel purchases adjustment;
- 1204 .020 MPG/KPL as reported;
- 1205 .025 MPG/KPL as a result of audit;
- 1206 .030 Net fuel tax adjustment per jurisdiction
- 1207 .035 Reported tax by jurisdiction;
- 1208 .040 Audited tax by jurisdiction;
- 1209 .045 Penalty;
- 1210 .050 Interest by jurisdiction; and
- 1211 .055 total by jurisdiction.
- 1212

A470 AUDIT FILE CONTENTS

In addition to a copy of the audit report and any pertinent post-audit communications concerning the audit, the audit file will shall contain, but not be limited to, at least the following information:

.100 Schedules

- .005 Supplementary Schedules

Supplementary schedules shall provide additional detail corroborating the results reflected in the Billing summary required in A460. These S schedules will shall

1225 contain, but not be limited to, schedules showing illustrate how the audited fuel
1226 and distances were calculated and the computation of adjustment factors
1227 determined from a sample, if applicable.

1228
1229 **.200 Support Documentation**

1230
1231 **.005 Detail Information**

1232
1233 Information, in the form of schedules, working papers or examples that
1234 ~~documentis~~ documentation of actual the records reviewed, which and support the
1235 audit results. ~~Detail information includes, but is not limited to, the following;~~ Such
1236 information shall include detail of retail and/or bulk purchases, detail of bulk fuel
1237 withdrawals, and analysis of trips audited, showing audited distance in total and
1238 per jurisdiction. ~~This information may be maintained on a workpaper or~~
1239 ~~electronically, on a database.~~

1240
1241 **.010 Listing of Records Maintained**

1242
1243 A listing of records, which ~~maintained~~ shall indicate what records are maintained
1244 ~~and presented~~ by the licensee and whether those records comply with the
1245 Agreement.

1246
1247 ~~.015 A synopsis of opening and closing conference notes with licensee indicating date~~
1248 ~~and persons attending~~

1249
1250 **A500 _____ GENERAL GUIDELINES**

1251
1252 **A510 _____ UNIFORMITY**

1253
1254 For an audit to be acceptable to all member jurisdictions, it must be conducted in a professional
1255 manner and the results clearly documented. Standard terminology is to be used in reporting audit
1256 findings. (See the IFTA Agreement and Procedures Manual).

1257
1258 Acceptable audit standards provide that several procedures may be employed. However, it is
1259 necessary that each audit reflect adequate information necessary to satisfy the commissioners of the
1260 various member jurisdictions.

1261
1262 ***A520 _____ STANDARD APPROACH**

1263
1264 Audit emphasis should be placed on evaluation of the licensee's distance accounting system, as
1265 distance allocation by jurisdiction is the basis for determining the licensee's fuel consumption and tax
1266 obligation for each jurisdiction. It is suggested, but not required, that fleet miles/kilometers be verified
1267 to source documentation for at least three representative quarters. The auditor shall also verify that
1268 the total miles/kilometers have been properly distributed to the various jurisdictions.

1269
1270 To determine if the licensee's distance accounting system properly accumulates all distance
1271 generated by units identified to the licensee's operation, not less than three representative months
1272 should be selected for audit with respect to computations of jurisdiction distance via routes traveled
1273 and to assure that all miles/kilometers are reported into the system. In the event that an auditor is
1274 unable to determine any reasonable method to assign or allocate unreported miles/kilometers, such
1275 miles/kilometers shall be assigned to all jurisdictions on the basis of each jurisdiction's audited

1276 percentage of total distance. Any audit adjustment to total fleet miles/kilometers of individual
1277 jurisdictions will require recomputation of the licensee's miles per gallon/kilometers per liter and,
1278 consequently, the fuel tax obligation to various jurisdictions.
1279

1280 **A530—SAMPLING**

1281 Unless a specific situation dictates, all audits will be conducted on a sampling basis.

1282
1283
1284 .100— Sample period(s) must be representative of the licensee's operations.

1285
1286 .200— Sample period(s) may be different for member jurisdictions due to seasonal operations.

1287
1288 .300— The licensee should be allowed input into sample selection if legitimate reasons exist.

1289
1290 .400— An agreement that the sampling methodology is appropriate should be signed by the
1291 licensee and the auditor.
1292

1293 ***A540—VERIFICATION OF LICENSEE RECORDS**

1294
1295 .100— If the licensee's operational records are not located in the base jurisdiction and the base
1296 jurisdiction's auditors must travel to where such records are maintained, the base jurisdiction
1297 may require the licensee to pay the base jurisdiction per diem and travel expenses incurred
1298 by the auditor(s) in performance of such an audit.
1299

1300 .200— The audit will be completed using the best information available to the base jurisdiction. The
1301 burden of proof is on the licensee.
1302

1303 .300— The auditor will make any reasonable attempt to verify information reported on the tax
1304 returns.
1305

1306 .400— If the base jurisdiction utilizes a distance reporting software program to verify the records of
1307 the licensee, that software program shall be used as an audit tool. The auditor must use
1308 discretion when verifying the licensee's records. All documentation required to be
1309 maintained in accordance with Section P540 of the IFTA Procedures Manual, and any other
1310 records used by the licensee to substantiate its distance traveled, must be considered by the
1311 auditor(s) in determining an acceptable distance reporting system and the accuracy of
1312 reported distance traveled.
1313

1314 ***A550—INADEQUATE LICENSEE RECORDS/ASSESSMENT**

1315
1316 .100 **Fuel Use Estimation**

1317
1318 If the licensee's records are lacking or inadequate to support any tax return filed by the
1319 licensee or to determine the licensee's tax liability, the base jurisdiction shall have authority
1320 to estimate the fuel use upon (but is not limited to) factors such as the following:

1321
1322 .005— Prior experience of the licensee;

1323
1324 .010— Licensees with similar operations;

1325
1326 .015— Industry averages;

1327
 1328 ~~.020~~ — Records available from fuel distributors; and
 1329
 1330 ~~.025~~ — Other pertinent information the auditor may obtain or examine.
 1331
 1332 Unless the auditor finds substantial evidence to the contrary by reviewing the above, in the
 1333 absence of adequate records, a standard of 4 MPG/1.7KPL will be used.
 1334
 1335 ~~.200~~ **Tax Paid Fuel Credits**
 1336
 1337 When tax paid fuel documentation is unavailable, all claims for tax paid fuel will be
 1338 disallowed.
 1339

1340 **A600 — THE AUDIT PROCESS**

1341 **A610 — AUDIT NOTIFICATION (new A420)**

1342
 1343 At least 30 days prior to conducting a routine audit, the licensee should be contacted in writing and
 1344 advised of the approximate date that an audit is to be conducted and the time period the audit will
 1345 cover. The notification will provide the licensee the opportunity to make the required records
 1346 available and provide assurance the tentative audit schedule is acceptable.
 1347

1348
 1349 ~~.100~~ — For purposes of documentation and to avoid misunderstanding, a copy of the notification
 1350 letter should be incorporated into the audit file detailing the tentative audit date and the
 1351 documentation the licensee is required to furnish.
 1352

1353 ~~.200~~ — For just cause, notification requirements may be waived.
 1354

1355 ~~.300~~ — All pre-audit contact should be confirmed in writing.
 1356

1357 ***A620 — AUDIT COMMUNICATION BETWEEN JURISDICTIONS (new A410)**

1358
 1359 ~~.100~~ — Jurisdictions may contact each other prior to the audit to obtain pertinent information in
 1360 accordance with each jurisdiction's disclosure policy.
 1361

1362 ~~.200~~ — Copies of correspondence between the licensee and member jurisdictions that have a
 1363 bearing on a tax liability and special instructions that may affect the audit shall be forwarded
 1364 to the base jurisdiction in accordance with each jurisdiction's disclosure policy.
 1365

1366 ***A630 — OPENING CONFERENCE (new A440)**

1367
 1368 ~~.100~~ — Except as defined in A630.200, a documented opening conference shall held with the
 1369 licensee outlining the licensee's operation, audit procedures, records to be examined,
 1370 sample period, sampling procedures, etc. The method by which said conference takes
 1371 place is subject to the base jurisdiction's discretion and may include, but is not limited to, the
 1372 following: in person meetings, telephone discussions, written correspondence, facsimile
 1373 transmission, and electronic mail messaging. The licensee and auditor should determine
 1374 who has the responsibility for the final acceptance of audit findings and who should be
 1375 involved in the closing conference.
 1376

1377 ~~.200~~ — In those circumstances where an opening conference is not held and/or completed in

1378 accordance with A630.100 because the audit is being performed in accordance with IFTA
1379 Articles of Agreement R1210, documentation must be provided as to why the opening
1380 conference was not held and/or completed.

1381
1382 ~~.300~~ — Open communication between the licensee and auditor is desirable.

1383
1384 ***A640 — EVALUATION OF INTERNAL CONTROL(new A460)**

1385
1386 The auditor's study and evaluation of the licensee's internal accounting control system has several
1387 identifiable phases:

1388
1389 ~~.100~~ — **Review and Documentation**

1390
1391 The review of the system is an information-gathering phase in which the auditor, through
1392 inquiry and observation, determines the licensee's accounting policies and procedures. The
1393 auditor's objective is to obtain an understanding of the flow of transaction processing. As
1394 part of this process, the auditor will:

1395
1396 ~~.005~~ — Find out if there have been changes in the licensee's accounting procedures or
1397 operations during the audit period;

1398
1399 ~~.010~~ — Identify the records that the licensee keeps to support the tax return;

1400
1401 ~~.015~~ — Audit the support documentation and check with the licensee to determine if any
1402 pre-auditing of support documentation is done prior to data entry; and

1403
1404 The auditor documents the understanding of the licensee's system of internal control in the
1405 work papers by completing a questionnaire designed for this purpose or by diagramming or
1406 describing the flow of transactions in flowchart or narrative form.

1407
1408 To clarify this understanding, the auditor may select a few transactions of each transaction
1409 type and trace them through the accounting system from initiation to ultimate recording.

1410
1411 ~~.200~~ — **Preliminary Evaluation**

1412
1413 By studying and evaluating the internal control procedures, the auditor identifies apparent
1414 weaknesses in the internal control system.

1415
1416 ~~.300~~ — **Tests of Compliance**

1417
1418 If controls are inadequate to permit reliance, the auditor may make a more extensive review
1419 and perform tests of compliance. If weaknesses identified in the preliminary evaluation
1420 preclude reliance, or if the auditor believes that more efficient or effective audit tests are
1421 possible without reliance, the auditor will plan audit procedures without any further study and
1422 evaluation of accounting control.

1423
1424 ~~.400~~ — **Report on Weaknesses**

1425
1426 The extensiveness of the review of the system and whether tests of compliance are made
1427 are matters of the auditor's judgment. Any serious weaknesses identified will be formally
1428 reported promptly to the licensee rather than at completion of the audit.

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***A650—CLOSING CONFERENCE**

~~.100—Except as defined in A650.200, a documented closing conference shall held with the licensee outlining preliminary findings to include applicable penalty and interest, recommendations, rights of appeal, and identifying the person to whom the audit report should be addressed. The method by which said conference takes place is subject to the base jurisdiction's discretion and may include, but is not limited to, the following: in person meetings, telephone discussions, written correspondence, facsimile transmissions, and electronic mail messaging.~~

~~.200—In those circumstances where a closing conference is not held and/or completed in accordance with A650.100 because the audit was completed in accordance with IFTA Articles of Agreement R1210, documentation must be provided as to why the closing conference was not held and/or completed.~~

***A660—AUDIT REPORTS**

.100—Licensee Audit Report

A complete report documenting the audit must be prepared by the auditor and shall contain, but not be limited to, the following information:

~~.005—Name and address of licensee;~~

~~.010—Account number;~~

~~.015—Audit period;~~

~~.020—Types of records audited;~~

~~.025—Description of audit techniques employed;~~

~~.030—Net distance adjustment;~~

~~.035—Net tax paid fuel purchases adjustment;~~

~~.040—MPG/KPL as reported;~~

~~.045—MPG/KPL as result of audit;~~

~~.050—Net fuel tax adjustment per jurisdiction;~~

~~.055—Remarks and recommendations; and~~

~~.060—Signature of auditor or reviewing jurisdictional official and date.~~

.200—Interjurisdictional Audit Report

The base jurisdiction shall prepare an Interjurisdictional Audit Report utilizing a layout similar to the example report forms contained in appendix A, and shall contain, but not be limited to,

- 1480 the following information:
- 1481
- 1482 .005 — name of base jurisdiction;
- 1483
- 1484 .010 — name and address of licensee;
- 1485
- 1486 .015 — Federal Employer Identification Number or equivalent;
- 1487
- 1488 .020 — reported tax by jurisdiction;
- 1489
- 1490 .025 — audited tax by jurisdiction;
- 1491
- 1492 .030 — penalty;
- 1493
- 1494 .035 — interest by jurisdiction; and
- 1495
- 1496 .040 — total by jurisdiction.

***A670 — AUDIT DOCUMENTATION**

The audit documentation shall accomplish the following:

- 1501
- 1502 ~~.100 — Communicate the results of the audit, showing adjusted distance, fuel and the monetary~~
- 1503 ~~results;~~
- 1504
- 1505 ~~.200 — Document and justify procedures conducted by the auditor;~~
- 1506
- 1507 ~~.300 — Indicate source of audit results. For example, audited fuel determined from retail~~
- 1508 ~~purchase receipts;~~
- 1509
- 1510 ~~.400 — Communicate suggestions and recommendations made to the licensee; and~~
- 1511
- 1512 ~~.500 — Clearly support audit findings.~~

***A680 — AUDIT FILE CONTENTS**

The audit file will contain, but not be limited to, the following:

- 1518 ~~.100 — Schedules~~
- 1519
- 1520 ~~.005 — Summary schedules~~
- 1521
- 1522 ~~Summary schedules shall include reported and audited fuel and distance for~~
- 1523 ~~each affected jurisdiction. They shall also include the assessment or refund for~~
- 1524 ~~the jurisdictions and the net total assessment or refund due for the audit,~~
- 1525 ~~including all penalties and interest.~~
- 1526
- 1527 ~~.010 — Supplementary schedules~~

1529 Supplementary schedules shall provide additional detail for results on the
1530 summary schedules. Supplementary schedules will contain, but not be limited to,
1531 schedules showing how audited fuel and distances were calculated and the
1532 computation of adjustment factors determined from a sample, if applicable.
1533

1534 **.200 — Support Documentation**

1535 **.005 — Detail Information**

1537 Detail Information is documentation of actual records reviewed, which support
1538 the audit results. Detail information includes, but is not limited to, the following;
1539 detail of retail or bulk purchases, detail of bulk fuel withdrawals and analysis of
1540 trips audited, showing audited distance in total and per jurisdiction. This
1541 information may be maintained on a workpaper or electronically, on a database.
1542

1543 **.010 — Listing of Records Maintained**

1544 A listing of records maintained shall indicate what records are maintained and
1545 presented by the licensee and whether the records comply with the Agreement.
1546

1547 **.015 — A synopsis of opening and closing conference notes with licensee indicating date
1548 and persons attending.**

1549
1550
1551
1552
1553 ***A690 — COMMUNICATION OF AUDIT FINDINGS**

1554
1555 **.100 —** Following the close-out conference and any review period deemed necessary, the base
1556 jurisdiction will furnish the licensee with the Licensee Audit Report and its customary notice
1557 of assessment, billing or other notification which would signify the beginning of the licensee's
1558 appeal period.
1559

1560 **.200 —** Within 45 days of furnishing the licensee with the finalized Licensee Audit Report and its
1561 customary notification of assessment or billing, the commissioner shall send an
1562 Interjurisdictional Audit Report to all affected member jurisdictions notifying those
1563 jurisdictions of the accuracy of the records of said licensee and any resulting adjustment of
1564 fuel taxes. An affected jurisdiction is any jurisdiction in which the licensee reported or
1565 accrued miles/kilometers, fuel or experiences any changes in the reported vs. audited
1566 calculations during the audit period. The Licensee Audit Report shall be considered to be
1567 finalized when the notification of assessment or billing issued to the licensee triggers the
1568 right to appeal such assessment or billing. Where a licensee does not agree with the initial
1569 notification of audit findings and the base jurisdiction has granted more time to review the
1570 audit results and/or review additional records before the formal appeals process begins, the
1571 Licensee Audit Report will not be considered finalized.
1572

1573 **.300 —** Member jurisdictions may request copies of the audit reports and work papers. A copy of
1574 the audit report, work papers, supporting documentation and any pertinent post-audit
1575 communications must be maintained by the base jurisdiction as part of the audit file for
1576 the period set forth in P910.
1577

1578 **.400 —** Fuel tax adjustments resulting from audit findings will be documented and included on
1579 monthly transmittals.

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~~.500~~ — In the event that the results of audit indicate funds owed to affected member jurisdictions and the licensee remits payment in full on or before the due date established by the base jurisdiction, such funds shall be remitted by the base jurisdiction to affected member jurisdictions in the manner and at the time prescribed by P1040. In the event the base jurisdiction sends or causes to be sent a transmittal to a member jurisdiction which shows money owing to the base jurisdiction, the jurisdiction being billed shall remit payment to the base jurisdiction as prescribed by P1040

~~.600~~ — Should a licensee fail to remit payment in full on or before the due date established by the base jurisdiction, the base jurisdiction may choose one of the following options in remitting audit funds to affected member jurisdictions:

Option 1

The base jurisdiction may remit any additional money owed by a licensee to affected member jurisdictions when payment is received. Upon receipt of a partial payment, the base jurisdiction must remit the payment on a pro-rata basis to affected member jurisdictions by the last day of the month following the month in which payment is received from the licensee. Credits due the licensee from one or more affected member jurisdictions shall be considered a payment made by the licensee. Total credits due the licensee and actual payments made by the licensee shall be allocated to each affected member jurisdiction owed based on the following formula:

$$\frac{\text{Net Amount Due a Jurisdiction}}{\text{Total Amount Due all Jurisdictions}} \times \frac{\text{Credits and/or Payments Available}}{\text{to allocate}}$$

Any audit liability identified by the base jurisdiction but not previously remitted by the base jurisdiction to the affected member jurisdictions, and which is deemed to be uncollectible for one or more of the reasons stated in the IFTA Procedures Manual Section P1060.200.010, must be reported to the affected member jurisdictions as such within 60 days of the after the uncollectible determination.

Option 2

The base jurisdiction may make payment of an audit liability in full to each affected member jurisdiction. If all or a portion of the funds originally remitted to the affected member jurisdictions is subsequently deemed uncollectible for one or more of the reasons stated in the IFTA Procedures Manual Section P1060.200.010, the base jurisdiction will be entitled to a refund of money previously remitted. If a portion of the money previously remitted is deemed to be uncollectible, the amount of the refund due from each affected member jurisdiction shall be calculated on a pro-rata basis applying the same formula set forth in Option 1. Such refund shall be made by an adjustment to a future monthly transmittal. Adjustments made to previously remitted audit results deemed to be uncollectible must be indicated as such on the transmittal.

A700

COMPLIANCE

A710 FOLLOW-UP VISITS

A follow-up courtesy visit to see if audit recommendations have been implemented may be made at the base jurisdiction's discretion.

1631
1632 **A720—REMINDER LETTERS**

1633 Any follow up reminder letters should be made at the base jurisdiction's discretion.

1635
1636 **A730—PRESUMPTION OF FINDINGS**

1637
1638 The findings of the base jurisdiction's audit as to the amount of fuel taxes due from any licensee shall
1639 be presumed to be correct. However, if the licensee is in disagreement with the original findings, the
1640 licensee may request any or every jurisdiction to audit the licensee's records. Each jurisdiction upon
1641 whom a request is made may elect to accept or deny the request. See IFTA Articles of Agreement
1642 Section R1450.200.
1643

REVISIONS FOLLOWING THE FOURTH COMMENT PERIOD

Under A320, the word “must” has been replaced by the word “should”.

Previous language: “An example of the licensee’s records examined by the auditor must be included in the audit file.”

The sentence now reads: “An example of the licensee’s records examined by the auditor **should** be included in the audit file.”

Under A320.600, the sentence was restructured.

Previous language: “When sampling is appropriate, the auditor should determine the level of testing according to the reliability of the licensee’s internal controls.”

The sentence now reads: “When sampling, the reliability of the licensee’s internal controls should determine the degree to which the records are tested.”

Under A460, the word “final” has been added.

Previous language: “The base jurisdiction should send the audit report to all affected jurisdictions at the same time it sends the report to the licensee.”

The sentence now reads: “The base jurisdiction should send the audit report to all affected Jurisdictions at the same time it sends the **final** report to the licensee.”

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Support: 8
Oppose: 24
Undecided: 5

ALABAMA

Undecided

ALBERTA

Oppose

We appreciate the efforts from the Audit Committee on the proposed ballot. However, like many other jurisdictions, we find that the ballot is too long and may be better broken down into several ballots.

We have a few other comments on some general concepts:

While there are definitions on "must", "should", why is there no definition for "shall"? Or are these definitions required at all?

R730, line 68. We like the comment, however, the licensee **should** be required to provide books and records in a format that is auditable by the base jurisdiction.

R740 generally looks good although it is silent on who has the ownership of the GPS data. We would welcome a comment that it is the responsibility of the licensee to obtain the data from the GPS service provider and not the base jurisdiction.

R1370 may be too restrictive. An audit findings letter and a management letter may be provided instead of an audit report.

ARIZONA

Support

BRITISH COLUMBIA

Support

CONNECTICUT

Oppose

We also applaud the Audit Committee and the I-CAWG for the hard work and efforts. We oppose this ballot on three basic and several specific issues. First, the proposal of a ballot this comprehensive with so many language changes runs a great risk of either changing the intent of such language or will result in unintended consequences. It is simply too much to evaluate and assess for its propriety without bearing a significant risk if it were to pass. Second, the proposed change to the effective meaning of the words "must," "shall," or "will" versus words such as "may" or "should" is of great concern. Words such as "may" and "should" are dissimilar from and do not carry the same force and effect as the words "shall" or "will." There are any number of reasons why the drafters of this Agreement separated actions, policies, and procedures into mandated and non-mandated actions. This change makes actions once deemed non-mandatory -- compulsory, thus adding more subjectivity, levels of complexity and the risk of unintended consequences to the compliance review process; unnecessarily so in our opinion. Lastly, we believe jurisdictions generally do a very good job with the audits they conduct. Jurisdictions trust each other and recognize that there will be nuances in the way audits are conducted. That trust is evidenced

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by the lack of disputes (2) in over three decades of IFTA's existence. We believe passage of this type of language may actually contribute to an erosion of trust because of the increase in subjectivity. We do not agree with the following specific items:

- Use of words such as "adequate, sufficient, or appropriate" creates subjectivity (R730) and leaves much open to interpretation. The same is true of the use of the terms "material or materially" in R740. We advise that we refrain from their use wherever possible.
- The proposal in R770 appears to dismantle the requirement that the licensee is held accountable (burden of proof) for keeping records that are compliant with the Agreement's standards. The proposal prohibits the use of the provisions (R770) when records can be audited even though they may be of poor or inconsistent quality.
- We disagree with the proposed standards for sampling. This should be left to auditor/base jurisdiction judgment. The proposal invites more subjectivity to the compliance review process.
- We disagree with the changes to the notification requirements. The proposed changes place an extra burden on the base jurisdiction to acquire agreement from the licensee or to prove just cause. This is a significant change from current practice. We disagree with the requirement to review and document prior audits. Jurisdictions have already received those audits; the redundant documenting of prior audits is overkill in most cases and brings little additional value to the current case. Jurisdictions have always had the right to contact base jurisdictions with questions; is that existing practice not enough?

IDAHO
Support

ILLINOIS
Oppose

IOWA
Undecided

This was certainly a huge undertaking for the committee. There are so many changes we need to look at this closely before supporting or opposing. Need to see some the changes as advised in the other comments. Need to see if modifications can be made to the existing documentation. The ballot will work if passed, it will just take a lot of clarification and interpretation.

KANSAS
Oppose

Kansas see's some good things in here that put into writing what we already do such as month end cutoffs not having to end strictly at the calendar quarter/month end, though it could be taken too far by the taxpayer.

They talk about that in section R750. They talk about different cut off periods for miles and fuel , which we also run into. This is potentially allowing for a lot of freedom in record keeping that may not be a good thing.

The cut off should fall within the same week that the calendar quarter ends.

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Section 710 should be more than a record retention section, it needs to be more clear that this also pertains to the time period where assessments, refunds or no change audits are published. Lines 44 -47 take a stab at that.

"Trip" should be defined.

The 20 percent MPG reduction like the 4.0 should state that it can be done on a quarter by quarter basis. Record keeping often times changes during the course of an audit.

According to R1370 we would have to start providing audit reports to the other jurisdictions as soon as the audit goes out the door, like we do with IRP.

KENTUCKY

Support

MAINE

Oppose

The hours of hard work put into this ballot are appreciated. However, overall, Maine does support this ballot.

IFTA is a benefit to carriers. They no longer file tax returns with all jurisdictions traveled, but one return with a base jurisdiction. The information needed to file multiple returns has not changed with the filing of one return. The terms currently used in P500 and P600 are in need of modernizing. However, this ballot goes far beyond that need.

In multiple places, there are references to the Base Jurisdiction when discussing record keeping, audit, requesting documents, etc. This appears to limit Jurisdictional rights to audit any carrier availing itself of that jurisdictional infrastructure. (Nexus)

The rewrite imposes more restrictions on jurisdictions conducting audits and how they interact with taxpayers based in that jurisdiction. More guidelines are need on when a jurisdiction audits a carrier not based in that jurisdiction. This will happen as it happened before IFTA. Although any imposed rules on these audits could put IFTA at odds with the jurisdiction conducting an audit on a carrier with Nexus in that State.

After making the statement in R710 that "On request, the licensee shall make such records available for audit..." The word "audit" should not be used in the records requirement section again. There are clear instructions for the auditor in several places, most dealing with tax paid fuel that should be in the audit manual. Not sure why summaries need to be "demanded by the base jurisdiction" R760. R770 "inadequate Records" should be in the audit manual before A350 MPG/KPL Adjustment.

R740.300 and R750.900-Timing of cut off dates for distance reporting and fuel reporting. Timing issues for large carriers may not change mpg/kpl and the resulting liability. But for smaller carriers, the timing of fuel to distance and the taking of tax paid credit could be affected based on this timing differences allowed by these sections. Are we now allowing a carrier to take credit in a jurisdiction with no reported distance?

R750.700-alternative fuels are not defined and what is practicable? Bio-fuel production and the records required are regulated by our Revenue department.

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Do not agree with defining a “must, shall, should, and may” in A100 as a requirement. By having so many of these terms in the audit manual it is driving the jurisdiction to develop the audit program required in A200 to meet these requirements. A reasonable audit for the carrier could be lost as the jurisdiction conducting the audit is more worried about meeting the requirements. It also appears that a “should” or “may” even though explained and accepted by the audit reviewer, could still be found out of compliance by the PCRC.

Based on the requirements of A320 evaluation of internal controls sections .400, .500, .600, a determination of the reliability of internal controls would need to be calculated and any testing conducted would be based on the reliabilities of internal controls. This is statistical auditing typically used in financial statement audits, and used to determine the reliability that an error causing a material misstatement may not be found with sampling techniques employed. Not sure how this would be applicable to auditing distance. Could be useful on very large carrier audits; not useful on smaller carriers and should not be a mandate. Requiring sampling of one full calendar quarter for every license year under audit is overkill in most audits conducted. This should be up to the auditing jurisdiction.

MANITOBA

Oppose

MARYLAND

Oppose

Maryland disagrees with A330 Sampling and Projection. Sampling is meant to perform an audit timely and accurately with a presumed risk. Mandating a block sample of one quarter per year audited will not accomplish either goal. The audit and the internal controls employed by that account must dictate the sample and sample size. This can only be done by the auditor at the time of audit.

MASSACHUSETTS

Oppose

MICHIGAN

Oppose

Appreciate the hard work, however Michigan believes the changes are too many for one ballot and recommends having several smaller ballots.

MINNESOTA

Oppose

Many of the changes proposed address the changes needed for technological advances and clarifies distance and fuel compliance requirements in conducting an audit to ensure payment of a carriers true tax liability. However, Minnesota is unable to support the proposal as presented due to the numerous language changes and the potential for unintended consequences. This proposal is too much to evaluate and access in this short time frame. We recommend that this be broken down into smaller areas, ask for comments and recommendations and then propose a ballot.

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MONTANA

Oppose

A100 states that Audit is a critical element of ensuring compliance with IFTA. But in R770 they move away from compliant/non-compliant and move us to adequate or inadequate. If the records are sufficient enough for us to gain reasonable assurance of the taxes paid, we must say the records are adequate and there are no compliance issues or penalties. This decreases compliance and increases the burden on audit. To audit with compliant documents means that we have to review more information and perform additional work. Also A400 states "All communication, both written and oral, must be documented in the audit file." We have a lot of irrelevant discussions with companies. They need to add some kind of a qualifier to that statement. To document ALL communication is a burden for staff and records maintenance.

NEBRASKA

Oppose

Nebraska appreciates the effort and work of the I-CAWG and generally supports many parts of the ballot, in particular: Section A330 that requires that the sample be from a full quarter, not just a sample from a sample period; and that the audit sections from the Articles of Agreement and the Procedures manuals were moved to the Audit manual. However, our opposition with other changes prevent us from supporting the ballot in its current form. We have identified our issues below:

R770.200 We suggest that this section be eliminated. The wording appears to prevent the auditor from making mileage adjustments when the records are classified as inadequate. For example: The auditor classifies the carrier's mileage records as inadequate. However, during the fuel portion of the audit the auditor finds hundreds of gallons of unreported fuel purchases in several jurisdictions with no reported miles. What is the auditor to do in this situation? 1. Add in the fuel with no jurisdiction miles which would create a tax credit in those jurisdictions? OR 2. Ignore those jurisdictions' fuel and deny the tax paid credit?

This is a very common issue found in IFTA audits. Carriers often cannot provide mileage records, but they can usually provide some fuel records. This new wording could result in jurisdictions having a credit even though the mileage records were classified as inadequate, due to having audited tax paid gallons and no audited miles

R770.300 We suggest that this section be eliminated. The application of a 4.00 mpg is to cover the information that cannot be verified because the records are poor or of an inconsistent nature. The current A550 does not refer to the 4.00 adjustment as a penalty. A penalty is due to filing a late tax return or owing additional tax found in an audit.

R770.100.010 (line 222) We suggest adding the word "or audited". "reduce the licensee's reported or audited MPG or KPL, by twenty percent". To illustrate our point- The carrier has inadequate mileage records, so the auditor accepted the miles as reported. The reported mpg was 5.50. The carrier did provide fuel records, and the audited gallons were greater than the reported gallons. This resulted in an audited mpg of 3.75. In this case there would be no mpg adjustment, since both the 4.00 mpg and the

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reported mpg (less 20%) are higher than your actual audited mpg. For this reason, we recommend adding in “*or audited*”.

R750.110 (lines 122-124). Suggest the following change: “Retail fuel purchases include all those purchases where the licensee buys fuel from a retail station or from a bulk storage facility dispensing fuel legally within the jurisdiction’s statutes”. If a carrier is withdrawing fuel from a 3rd party bulk tank where the owner cannot legally dispense fuel to other customers; the auditor would not know if the fuel was tax paid, or to what jurisdiction the tax was paid. For example: The carrier being audited fueled their IFTA unit from a mobile bulk tank, located 10 miles from the jurisdiction border. 1st- What side of the border was the fuel purchased from? 2nd Was it tax paid?

R750.400 (lines 155- 159) and **R750.600** (lines 170-177)

1. Suggest adding .020 to R750.400 which says: Bulk withdrawal records that indicate the bulk tank location. We feel bulk fuel withdrawal records should be listed under R750.400. In addition, R750.600.005 states that each bulk withdrawal should list the location of the tank. Since our suggestion includes having the bulk location on the withdrawal log, we then recommend removing R750.600.005. Our thoughts are, you don’t need to list the location of the bulk tank for each individual bulk withdrawal, as long as the withdrawal log itself lists the location of the bulk tank.
2. Suggest adding .025 to R750.400 which says: Bulk storage tank(s) must have a reliable meter to accurately report fuel withdrawn. How can a carrier measure fuel from the bulk tank without a meter, unless they are estimating? We also suggest adding the word “metered” in R750.600.015. “The metered quantity of fuel withdrawn.”

R750.500 (lines 161-168) Suggest adding back all of the current R1020 vs. just parts of it.

R710 We would like lines 34 through 37 to be removed. We do not think that carriers should be allowed to destroy records after an audit, prior to 4 year record retention requirement. This also may conflict with jurisdictional statutes of record retention.

R720 Line 51. We would like the original language from the current A540.200 to be retained. “The audit will be completed using the best information available to the base jurisdiction. The burden of proof is on the licensee”.

R740, R750, R760 Lines 108–113, 187-196, 206-212

We feel these sections need to be more consistent with one another.

1. R740.300 (line 108), should be the same proposed wording as R750.900 (lines 187 & 188). This will cover distance as a whole and not just “distance readings”.
2. R740.300 and R750.900 should have the same sub points- (.005-.020,). We recommend using the wording under R740.300 for both miles and fuel.
3. R740.300.010 (line 111) Suggest changing to the following: “Reflect a consistent cut-off procedure by the license, which is the same for distance and fuel”. It has always been an understanding that you can have an alternative cut off procedure as long as miles and fuel are reported together.
4. R760.200 (lines 206-212) Since this topic has already been covered under the R740 and R750, we do not believe it needs to be repeated here.

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R750 (lines 115-186) It appears much of the wording in R750 is duplicated and/or in direct conflict with current Article X , which was not eliminated. All of our comments regarding section R750 are made under the assumption that Article X will be eliminated.

R750.700 (lines 179-183) We recommend that this section be removed. We do not feel that the requirements for alternative fuels would be any different than for traditional fuels.

R1000 Article X Did you intend to eliminate this section? It contradicts much of the proposed language in R750.

Deleted **A680** Why was this entire section eliminated? Shouldn't there be some documentation of the auditors work in the auditor's file?

A460.600.005 (line 772) Add the word "narrative". "The *narrative* report must indicate the procedures, findings, any requirements to become compliant and any additional information deemed necessary." Our suggested change mirrors the wording in the IRP.

Deleted **A710** Since records reviews were approved for the IRP, was there any discussion for doing the same in the IFTA?

Deleted **P530.200** We recommend this section be added back to the new section R710

Clerical errors found:

- Line 118. There is an extra comma after the word "and".
- Line 302. Should read R1370 and R1390. Not 1370 and 1390.

NEVADA

Support

Nevada has read the comments from other jurisdictions and while we agree there are some areas of the ballot that need to be corrected, we are confident that all material corrections will be made by the ICAWG prior to the second comment period.

Nevada believes this ballot goes a long way to bring consistency between IRP and IFTA distance requirements and goes a step further to provide room for changing technologies without requiring a change to the language.

NEW BRUNSWICK

Oppose

Too many changes contained in one ballot, very confusing.

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NEW HAMPSHIRE

Oppose

We are opposed for similar reasons as stated by Maine and Nebraska.

NEW JERSEY

Support

NEW MEXICO

Undecided

NEW YORK

Oppose

R760.200 - Variances in fuel and mileage reporting cut-off's, though consistent, could result in increased return exceptions for smaller licensees (ie. mpg exceptions).

R770.100 - Believe that the language is too restrictive to base jurisdictions.

R700.200 - The records retention requirement of the licensee seems to be diluted by adding this language.

NORTH CAROLINA

Oppose

Like Michigan, NC appreciates the hard work and efforts put into this ballot by the various committees but recommends breaking this ballot into several smaller ballots which could be voted upon separately.

NOVA SCOTIA

Oppose

We also appreciate the work done by the Audit Committee. But like many of the other jurisdictions we believe this ballot should be in fact multiple ballots as there are parts which we don't support such as R770.100 while there are many other parts which we do support.

ONTARIO

Oppose

OREGON

Oppose

Overall, I would recommend a No vote:

Material Issues:

- R740.100 - I would like to see Intermediate Stops as a requirement in manual record keeping processes. (pg 4)
- R770.100 – At the least, it sets up a conflict with the Audit Manual Section A550. Read literally, it limits the discretion of the base jurisdiction to use an Industry Average only on specific vehicles and not the fleet as a whole. (pg 7 & 15)

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- R770.100 – Directs the base jurisdiction to automatically default to 4.0 MPG or reduce MPG by 20% if records not provided within 30 days. Again, a literal reading directs the base jurisdiction to conduct a default audit even if records were provided but after the 30 day deadline, so if they provided records on the 32nd day, we would still be required to do a default audit? This is language that is in the current version but I still disagree with the wording. (pg 7)
- R770.300 – Including the verbiage “or with respect to audits generally” sets up a conflict with Article R1220 Penalties. (pg 7)
- A330 – Removed the language about audits being conducted on a sampling basis unless the specific situation dictates otherwise. This language has been beneficial at times when a licensee was insistent on a full audit. I oppose removing this language. (pg 15)
- A330 – Requiring at least one full calendar quarter for every year under audit can be hard to meet if auditing large accounts. We would either have to shorten the audit period resulting in less time covered in the audit or audit fewer vehicles, which may result in wide variances in large fleets. (pg 15)

Housekeeping:

- References to other sections should include the designation “R” or “A” for clarity. (R710 pg 3; R1370 pg 9)
- R730 should refer to elements set out in R740, R750 and R760 - not R730, R740, R750. (pg 4)

PENNSYLVANIA

Undecided

Well-intentioned, but may conflict with some jurisdictions' laws.

QUEBEC

Oppose

Too many changes in one ballot. I agree with Maine and Nebraska.

RHODE ISLAND

Oppose

Opposed for many of the reasons stated by Maine, Nebraska, and Oregon.

SASKATCHEWAN

Oppose

As voiced by other jurisdictions this ballot should be divided into smaller workable ballots.

Stakeholders

Support

ATA - Robert Pitcher

The adoption of this ballot will serve to modernize and clarify IFTA's language on audit and record keeping. It will provide a degree of flexibility to licensees without endangering the jurisdictions' ability to conduct thorough fuel use tax audits. And it will render IFTA's record keeping and auditing rules for

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licensees' distance accounting very similar and in most instance identical to IRP's rules. These changes need to be adopted if licensees are not to be faced with different and sometimes conflicting requirements from the two Agreements, and if jurisdictions are not to be required to conduct audits under two different sets of rules. The proposal here alters very little the existing IFTA rules for accounting and auditing for fuel. Some of the other comments posted here observe that this is a lengthy ballot, with a lot of changes. Considering that record keeping and audit is really one large, integrated subject, this is the only manner in which it could be successfully amended: all at once. IRP took this step two years ago, and the new requirements appear to be operating well there. There is no reason to suppose the changes here will not work equally well with IFTA. IFTA needs this amendment if it is to stay current with changing technology and if it is to provide adequate record keeping and auditing guidance to its members and licensees.

TENNESSEE

Support

UTAH

Oppose

Utah agrees with the comments by Kansas and Maine

WASHINGTON

Oppose

The proposed penalty provision appears restrictive. The proposed ballot language actually restricts a state to two courses of action: (1) Fleet level 4MPG OR 20% reduction in MPG OR (2) Vehicle level MPG estimation based upon various criteria. Current IFTA language today allows fleet or vehicle level MPG estimation based upon various criteria.

WEST VIRGINIA

Undecided

What is meant in R 740.100 "vehicle tracking system" is this a GPS system? If so, I think it should state so. Not too keen on R 750.800. There may be cases where more evidence is needed. R-750.900 allows deviation from a calendar quarter basis. A carrier should be able to cut off at the end of a quarter. This may be intended for trips that may carry over from one end of a quarter to the next. This section may cause revisions of the audit reports/forms/spreadsheets to see if everything thing required is being included.

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SUMMARY

24 Comments

Support: 12
Oppose: 9
Undecided: 3

ALABAMA

Support

Alabama agrees this ballot was a substantial but necessary undertaking. It brings consistency to licensees as related to IFTA and IRP distance record keeping requirements, while providing for comparable actions regarding those licensees that do not maintain adequate records. Additionally, it promotes procedural consistency among our audit staff as they endeavor to conduct joint audits.

ALBERTA

Oppose

We thank the committee members for their hard work on the ballot.

However, we would also appreciate comments from the IFTA Attorney Section first. It will also be helpful if there are reasons provided section by section on why changes are made to that section (is it just wording change or is it a more substantial matter) so that we can better understand why the changes are necessary to that paragraph or section.

We generally find that the ballot does not provide enough for auditor judgement, or consideration of internal control. Or maybe the language does not reflect that. We think that the sampling requirement for one full calendar quarter under A330 may be overly onerous and do not support that. We are also wondering how much is considered as enough on the discussion of sufficient and appropriate audit.

We also wonder why a rewrite is necessary when things are working. If there are particular areas that require attention, maybe we can work on just that portion. The current proposed ballot opens up a lot of questions without us understanding why the changes are particularly necessary and some that we do not agree with.

ARIZONA

Support

Arizona fully supports this ballot. None of the changes in this ballot are "showstoppers" for Arizona.

BRITISH COLUMBIA

Support

CONNECTICUT

Oppose

While we oppose this ballot, before presenting our reasons for that opposition we must credit the sponsors for the vast amount of work they have done on this proposal; including making certain changes after the Annual Business Meeting. There are specific items we oppose; however we first wish to offer that there isn't any evidence whatsoever that IFTA's audit program is so irrevocably broken that it warrants this complete re-write. IFTA has worked well for better than thirty years (there have been but

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two disputes related to an audit conducted by a base jurisdiction). Updating the recordkeeping requirements is a worthy venture as the distance recordkeeping required for IFTA should closely mirror that of IRP; however this ballot goes far beyond that. Licensees that are concerned about how a base jurisdiction's auditor discharges his or her duties have multiple options available to them to appeal such actions or audit results. Every jurisdiction has an appeals process, IFTA Articles of Agreement R1450.200 permits a licensee to directly appeal an audit assessment to any or all affected jurisdictions in addition to the base, and, if all administrative remedies have been exhausted in the base jurisdiction, the licensee may levy a complaint in accordance with the Dispute Resolution Process. To date, and to our knowledge, the provisions of R1450.200 have not been exercised and there has been no complaint issued under the provisions of the Dispute Resolution Process by an IFTA licensee.

More specifically, this ballot introduces several theoretical and less than quantifiable terms to the governing documents which could pose a problem for jurisdictions and carriers alike. Terms such as "adequate, appropriate, slightly, materially, and sufficiency" cannot be clearly defined; thus the actions or expected requirements that follow those terms cannot really be quantified and thus become subject to little more than opinion. This could very well lead to a deterioration of the objective of uniformity among members, a weakening of the audit program overall, erosion of trust among members, and an open invitation to greater numbers of protested audits which may find their way into the judicial system. Do we really need to bring greater subjectivity into the governing documents? The current language provides for a significant amount of auditor judgment and that existing language has served us well for better than thirty years.

For these reasons, this jurisdiction has urged the sponsors (in many venues) to ask the Attorneys' Section Steering Committee to review and comment on this proposal. Certainly the ASSC has access to a vast network of attorneys (58 jurisdictions) involved in not only litigation, but the crafting of statutory language. We cannot help but believe that the opinion of the attorneys as it would relate to the construction of the ballot, whether it conflicts with other sections of the Agreement or its mission, whether the use of certain verbiage could lead to unintended consequences, and whether such language is sustainable in court would be of great value to the voting Commissioners. As of this writing, we have seen no evidence of the attorneys' opinion. Certainly, each jurisdiction seeks the assistance of its attorneys when crafting proposed legislation. This ballot is not a simple technical or procedural change; it is very comprehensive, which begs for a more thorough review. We believe the proposal is worthy of that review by our legal community.

We understand and respect the great desire to implement language that mirrors what is in the IRP; but we believe moving more deliberately to ensure that we get it **right** rather than to simply "get it done" is the best course of action for **this** organization. The sponsors have stated that this proposal has been many years in the making; is waiting until all parties (e.g. lawyers from the member jurisdictions solicited by the ASSC) have weighed in on it and a more thorough dialogue takes place going to cause the audit program for IFTA to collapse because it is not absolutely parallel with IRP? We doubt it. We strongly recommend that the sponsors withdraw the proposal and open the dialogue to include attorneys, administrators, audit managers, and yes, industry representatives, to result in revisiting this issue after the language (in whatever form it takes) has been fully vetted by all stakeholders. From there, we can all vote for a ballot proposal that we know has been fully examined and evaluated.

IOWA
Support

KENTUCKY
Oppose

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MINNESOTA

Oppose

Minnesota feels the updating the recordkeeping requirements is a necessary venture as the distance recordkeeping required for IFTA needs to match IRP; however Minnesota feels this ballot went to far and changed itmes that do not need changing. This ballot introduces several theoretical and legal issues to the governing documents which may pose problems for jurisdictions.

R305: This provision will be cumbersome to administer and difficult to determine distance and fuel purchased for an unlicensed vehicle. Minnesota questions the legal authority of a jurisdiction to assess and collect any fuel taxes from a "person required to be licensed."

R710: Provision seems to be a conflict between the time records are retained and the base jurisdiction laws.

R750.600: Does this mean that a leased on driver with their own IFTA license is allowed to report a tax paid fuel from the lessor's bulk tank if the lessor can not legally sell bulk fuel.

R760: Summaries are required for IRP and recommend the same wording for IFTA.

R1390: What happens if a jurisdiction requests a reexamination after the licensees 30 day appeal period, does the 30 day appeal period start over again after reexamination.

A310.100 "the auditor must identify, and document in the audit file the licensee's vehicles operated in the audit period". What does identify mean?

A360: appears to now restrict the creation of an error factor to reduce fuel.

NEVADA

Support

Nevada has been an active participant for many years through both the IFTA Audit Committee and ICAWG. The changes presented to the Membership through Ballot 3 are the results of hundreds of hours of collaboration with several administrators and auditors from every region of membership. The ICAWG was comprised of auditors, managers, industry reps, an assistant commissioner, and board members. Throughout the process, participants have reached out to member jurisdictions expressing concerns and have made every attempt to address those concerns. Nevada believes the document before the membership brings consistency both to the audit program and to the record keeping requirements for the licensees. The language used in the ballot is standard among the auditing profession and does not skew the quality of an audit. Auditor independence and judgment are vital to any audit program. Nevada believes this ballot accomplishes that while still maintaining the integrity of the taxes due to each member jurisdiction; and encourages the other jurisdictions to support ballot 3.

NEW BRUNSWICK

Oppose

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NEW HAMPSHIRE

Oppose

At the annual business meeting it was requested by the majority of the voting membership that this ballot be vetted by the IFTA Attorneys Section Steering Committee. To this date there is no comment or indication from the Attorneys Section regarding their position on this ballot.

For the same reasons cited by the State of Connecticut the State of New Hampshire does not support this ballot.

NORTH CAROLINA

Oppose

NOVA SCOTIA

Support

OKLAHOMA

Support

The proposed language does not change the way audits are conducted. The proposed language provides guidance, and better uniformity but does not diminish or remove the need for auditor judgment.

Distance requirements would mirror those of IRP. This is important for both the jurisdictions and industry, since both programs audit for distance. Electronic record requirements will also be updated by replacing the outdated and confusing language that currently exists. The proposed language does not change the fuel record requirements.

Concerns about auditors being required to use judgement about adequacy of records are misplaced. Auditors have been exercising the same kind of judgement about "materiality" for decades and no great calamity has befallen us. The proposed language goes the extra step of providing guidance in determining the adequacy or inadequacy of the records. Auditors will need to continue to exercise sound judgment in making a determination just as they do currently. Also, the proposed language promotes uniformity when records are determined to be inadequate.

The language provides for uniformity in sampling while still allowing the auditor to determine at what point sampling can be discontinued.

Terms used in the proposed language are terms that are used throughout the auditing profession, including compliance auditing. Some of these same terms are used in other sections of the IFTA documents.

ONTARIO

Support

PENNSYLVANIA

Undecided

At this time Pennsylvania remains undecided on FTPBP #3.

PRINCE EDWARD ISLAND

Support

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QUEBEC

Undecided

I would like to hear from the IFTA Attorneys first.

RHODE ISLAND

Undecided

SASKATCHEWAN

Support

Stakeholders

Support

ATA

The industry strongly supports this ballot, which makes it easier for IFTA licensees to find the rules for record keeping and audit, and to understand those rules when they find them. The improved organization and clearer language which the ballot brings to these provisions of the Agreement should improve industry compliance. Moreover, the changes to the record keeping requirements in the ballot make IFTA's rules virtually the same as IRP's rules, as far as distance accounting goes. Given the IRP's new rules appear to be working well, this is a necessary step for IFTA, since it is burdensome for IFTA licensees who are also IRP registrants to keep what are essentially the same records in two different ways. It is good as well that the ballot does not change IFTA's rules for fuel accounting in any significant way. Those requirements are satisfactory and well understood by licensees. Finally, the industry notes with appreciation that the drafters of Ballot 3 have accommodated the more substantive of the comments made on the ballot during the course of the year, through clarifying changes to the language.

Industry Advisory Committee

Sandy Johnson, Chair

The heart of IFTA lies in cooperation not only between jurisdictions but also between jurisdictions and industry. It is the only tax program in North America of this kind. The fact that it has survived for some 30 years now, is significant in itself, and in spite of the occasional ups-and-downs it works remarkably well overall. People are still getting their lettuce, car parts and chemicals – although hopefully not in the same truckload.

Those of us who have been around for decades can attest to the fact of the blood, sweat and tears which have gone into the development and ongoing management of this program. It didn't happen overnight and there were lots of stops and starts along the way. There is a long history and an IFTA philosophy. If you are new to IFTA, you may not fully understand this philosophy and the importance of embracing the cooperative nature so critical to IFTA's success.

IFTA isn't perfect. It will never be perfect, but it is better than anything else that came before it. The changes to the agreement through the I-CAWG initiative are necessary. IRP has already made these changes which, after two years, seem to be working well. Without these changes, industry is faced with complying with opposing legislation. When that happens, both government and industry are at a disadvantage. IFTA is critical to keeping milk in our fridge and clothes on our backs. I-CAWG might not currently meet your ideal situation, but it is cooperation that has gotten us this far and it is cooperation that will fuel the continued success of IFTA for years to come. It is imperative that you vote yes to this ballot.

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Gary Bennion
Con-way Inc.

From an industry perspective, the revision of parts of the Agreement and Audit Manual was a necessary project which has increased the clarity for licensees and for auditors. The revision clarifies and brings into one place the record-keeping requirements of a licensee for distance and fuel, also taking into consideration newer technologies. It has also clarified some of the language surrounding audits and the communication relating to them. Concerning audit assessments and the lack of records, some language was added in the attempt to increase the tools an auditor may employ, depending on the type and circumstances of the licensee. These were the focus areas. The project has not changed the intent of the Agreement, nor has it changed the way that auditors may go about their work. It has not relieved the licensee of any of its responsibility to keep records sufficient to support accurate reporting of fuel and mileage. Seven active jurisdictions were represented on the working group and the language has been discussed in several meetings and in two webinars. Based on comments made in those meetings, during and following the webinars, and in other communication, several changes have been made to address specific concerns. Some opposition appears to be raised out of the fear of change, not based on specific language or referencing. However, this project was initiated based on a need for clarifications expressed by the Board and the Audit Committee, which we believe has been accomplished.

We believe, as an industry, that this ballot #03-2014 fulfills its given purposes of clarity and simplification while keeping all of the intents and requirements intact. We encourage the support of each jurisdiction.

TEXAS
Oppose

I know a lot of time and effort went into this ballot. There are some areas that could be changed to benefit the auditors but there are also areas of IFTA that do not need to be changed and this causes my opposition.

UTAH
Oppose

Working Groups
Support

I-CAWG 10/31/2014

The I-CAWG appreciates the acknowledgment of its efforts and would like to briefly respond to the current comments.

Clear record keeping requirements that address today's technology should positively impact licensee/jurisdiction interactions and provide support to licensees in their efforts to maintain adequate records. As with all living documents, change is both a necessary and logical process to provide effective guidance to licensees regarding record keeping requirements, clarify language utilized by jurisdictions in the conduct of audits, provide additional tools for jurisdictions to use during audits, and enhance uniformity in audit reports and sampling procedures, which is what Ballot 3 does. The proposed changes do not impact potential disputes.

The terms labeled "theoretical" are currently used within the confines of the IFTA governing documents. For example, "sufficient" and "material" are referenced in R209.300. The term "adequate" is referenced in P570.500 and A550.100. "Slightly" is in the proposed ballot twice (R740.300 & R750.900); it is used correctly in those instances by allowing a small degree of deviation from the norm.

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Appropriate and sufficient are prominently utilized in relation to audit evidence. Granted, many examples are from financial accounting, but the terms and their relevance to what we do in audit are on point. The Google results for "appropriate and sufficient AICPA" are extensive.

In closing, the Chair of the Audit Committee has requested that the ASSC confirm that the intent of the ballot has been met.

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SUMMARY

32 Comments

Support: 13
Oppose: 18
Undecided: 1

ALABAMA

Support

ALBERTA

Oppose

Alberta thanks the I-CAWG members for their work on the ballot and also thank the IFTA Attorney Section for their comments, including the memo received just today.

Alberta agrees with all the comments from the IFTA Attorney Section and the comments from Connecticut, Ontario, New Brunswick and others. Alberta continues to have concerns on some of the new mandatory requirements put forth in the ballot, eg, the mandatory requirement for sampling at least one full calendar quarter when system review may be a better way to determine how much sampling is needed, and several other areas where new requirements are made mandatory.

Since Alberta does not oppose moving forward on electronic records, our suggestion continues that we can move forward on that particular matter first.

ARIZONA

Oppose

Attorneys Section Steering Committee

Oppose

TO: IFTA JURISDICTION COMMISSIONERS
FROM: EDWARD G. BEAUDETTE, CHAIRMAN IFTA ATTORNEY SECTION STEERING COMMITTEE
RE: COMMENTS ADVISING AGAINST ADOPTING BALLOT#2014-03

INTRODUCTION

At the 2015 IFTA Audit Workshop in San Antonio, I made a presentation detailing the reasons why the Attorney Section Steering Committee has great concern regarding the passage of this ballot in its current form. At the conclusion, I was asked to forward my remarks to you for review prior to the voting on this ballot. If any of you have any questions after reading this I will be more than happy to try to address them.

MAJOR CONCERNS FROM THE LEGAL PERSPECTIVE

PORTIONS OF THE BALLOT JEOPARDIZE THE LEGAL DEFENSIBILITY OF THE IFTA AGREEMENT

The Articles of Agreement for IFTA must be looked at as a Policy document. The best analogy is that the Agreement is the equivalent in concept to a Constitution. It sets out the basic framework of the meaning and intent of the drafters. On the other hand, the IFTA Audit and Procedures Manuals are the equivalent of statutes or administrative rules passed or adopted to implement the intent of the Agreement.

The proposed Ballot #2014-03 by its expansion of Article VII of the Agreement, incorporating primarily

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records related provisions on issues like retention, adequacy, summaries and the specifics of what a licensee must maintain regarding fuel and distance records, changes the nature of the Agreement from a policy document to a procedures and standards document. This is a very perilous change that could result in increased potential attacks and altered interpretations of the Agreement which could result in a legal determination of invalidity. This would be a disaster for a program that is one of the most efficient and reliable tax collection and distribution mechanisms ever devised.

The IFTA Articles of Agreement is a unique document. It operates between the States and the States and Canadian Provinces. Its core concepts have received Congressional approval, which may elevate it to the legal status of a compact. Changes in the Articles of Agreement, even through the amendment process, may have unforeseen consequences that could threaten the enforceability of the agreement itself. Making the type of wholesale changes that portions of this ballot call for could inadvertently change the nature of the agreement. One of the main reasons that the three separate documents, (Articles of Agreement, Audit Manual, Procedures Manual) were used was the recognition that the details of the day to day operations may need to be amended. By keeping the day to day audit and procedural functions separate from the core provisions contained in the Articles of Agreement, it allowed for the type of changes that might be necessary, such as those related to recordkeeping technology without amending the Articles of Agreement which had received congressional approval. Placing the details of operations in the Articles of Agreement is more than a stylistic change. Rather than making the specific provisions “more enforceable” it may have the opposite effect. If it is deemed that the Articles of Agreement have had substantive changes that go beyond the initial congressional approval, it could jeopardize the legal basis for enforceability of the entire program.

The most distressing part of these changes is the fact that in the present political climate where Congress has failed to enact a new Highway funding bill for years, it would be highly unlikely, if at all possible, to pass a replacement for the laws originally implementing IFTA. While we all know the undeniable benefits of the use of IFTA for the states and the industry, the prospect of re-enacting fuel tax legislation is highly unlikely at this time of political gridlock and anti-tax sentiment.

PROTECTION OF JURISDICTIONAL SOVERIEGNTY

The changes to the Audit Manual with the inclusion of mandatory jurisdictional activities in the auditing process by inserting “shall” and “must” requirements for some activities and procedures and the creation of a new requirement of “should” activities is another extremely problematic issue. In addition Ballot #2014-03 includes penalty provisions that go beyond the statutory authority of many jurisdictions.

The inclusion of mandatory auditing requirements in the name of “professionalism” is mandating activities that may go well beyond the budgets and staffing of many jurisdictions. Further, these mandates can result in potential sanctions to jurisdictions, so the inevitable result will be disputes and disagreements that will have to be resolved to determine the extent of their meaning. This would be a colossal waste of time and resources and it will surely engender needless conflict amongst the jurisdictions. This would be a detriment to IFTA that is wholly unnecessary at this point.

Another critical issue from a legal standpoint is the fact that by specifically mandating specific accounting standards, it creates a requirement for full compliance with all the underlying auditing requirements such as sampling size, etc. that could, if not fully complied with, render a jurisdiction’s auditor’s testimony as inadmissible in a legal proceeding. Again, this and other potential problems are self-inflicted wounds that would again in many jurisdictions be virtually impossible to rectify through legislation because of the

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nature of the issue as a tax.

The states need to be able to consider the ramifications of these provisions on their individual situations and they should not be forced to make this decision as part of an “all or nothing” ballot.

ALL INCLUSIVE ONE BALLOT ONE VOTE

Ballot #2014-03 is a very complicated and diverse set of proposals which address separate and distinct issues in an all or nothing format. Creating this type of proposal creates an immediate dilemma for those who will have to live with the results. One issue with great support is the need to change the record keeping and reporting standards to address changing technology. Everyone agrees that this needs to be done in one form or another. However, requiring that in order to get the necessary changes to the records provisions a jurisdiction must also accept the new mandatory audit provisions, definitions, penalties, sanctions, etc., which may be an impractical option under the laws of many jurisdictions, is simply untenable for a quasi-mandatory association such as IFTA.

While the drafting committee argues that the changes to the documents are essentially necessary to all be enacted at once has some appeal, it is clearly not insurmountable. Good drafting of individual ballots for each of these separate but critical issues could be done relatively quickly by an experienced legal drafter and it would provide clear, separate choices on all of the changes presented.

CHANGES IN EXISTING LEGAL STANDARDS AND SHIFTING OF THE BURDEN OF PROOF

As the attorneys on the Attorney Section Steering Committee looked closely at the proposed Ballot #2014-03, it became apparent that many of the new provisions which were to be incorporated into the Articles of Agreement and the Audit manual made significant changes to the established legal burden of proof under these documents. The hallmark of the IFTA Agreement and its procedures has been the “bright line” of putting the entire burden of providing the required records on the licensee. This concept is placed in serious jeopardy by the proposed changes in Ballot #2014-3. It is interesting to note that no IFTA jurisdiction attorneys were involved in the drafting of this ballot but an attorney for the trucking industry was included.

Some of the most concerning changes contained in the ballot are as follows:

Proposed provision A360 Line 709 and P 530 places the burden on the jurisdiction to present “evidence” of a reporting error.

Proposed provision R750.200 adds wiggle room to argue about the validity of fuel records and puts a burden of proof on the jurisdiction,

Proposed provision R730 is an incomplete statement of the adequacy of the records. There should be a clear requirement relating to the status of the records provided in relation to the time and effort a jurisdiction would have to expend to complete an audit.

Proposed R750.100, regarding fuel records, needs to have a direct tie to the actual purchase i.e. fuel amount, purchase price etc. tied directly to a supplier.

There are numerous references to “evidence” which has distinct legal meaning to different degrees throughout the jurisdictions. The qualifier of “audit evidence” needs to be added to the references to “evidence.”

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There are additional provisions that need to be addressed and most importantly, these items should not be included in the Articles of Agreement as proposed but rather in the Audit and Procedure Manuals as appropriate.

CHANGES IN LICENSEE STATUS

One of the continuing battles concerning the IFTA Agreement over the years has been to keep licensees out of the Agreement. They are beneficiaries to the provisions but there is no requirement that they participate. By including so many rights and obligations of licensees in the Articles of Agreement as proposed in Ballot #2014-03 it opens the door to the argument that licensees are included in the agreement and would have rights to weigh in on issues and provisions of the Agreement and its interpretation.

The fact that licensees are already referred to in the Articles of Agreement does not signify their participation in it. There has to be some reference, but when you make the type of wholesale changes to the Agreement to include licensees' rights and responsibilities it changes the entire playing field.

Similarly, the argument that it's nice to have all of the licensee requirements in one document is inappropriate. If they must be consolidated they should all be in the Procedures Manual but certainly not in our policy document, the Article of Agreement.

You have previously received a copy of an initial comment made by a member of the Attorney Section Steering Committee with the interjection of the responses by the ICAWG. It must be understood that that initial comment was just that, a starting point to demonstrate to the committee that there were significant issues with Ballot #2014-03. It was not intended to be the final word from the Attorney Section. The responses inserted by the ICAWG simply do not address the real issues involved with this ballot. This memorandum should be considered as the opinion of the Attorney Section regarding this ballot in its current form.

We strongly advise you to not approve Ballot #2014-03 for the reasons set forth above.

Audit Committee

Support

David Nicholson (OK) Audit Committee Chair

Audit Committee Comments:

The Audit Committee met on Friday, 2/27 in San Antonio and discussed this ballot at length. After consideration of the comments posted to date, and the response from the ASSC, we voted to move the recordkeeping requirements out of the Articles of Agreement and place them back into the Procedures Manual. Additionally, the word "audit" will be added to every reference of "evidence" placed in the new language. The Audit Committee believes these two changes will sufficiently address the concerns brought forward to date. We believe this ballot addresses significant gaps in current language by providing consistent record keeping and auditing standards and encourage each jurisdiction to stand in support.

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CONNECTICUT

Oppose

Connecticut concurs with the comments made by Ontario, New Brunswick, and others related to this ballot. We wish to thank the Attorneys' Section Steering Committee for their thorough and thoughtful

commentary on Ballot 3. As we have stated before, we rely heavily on the opinion of our staff attorneys on matters of statutory and regulatory language proposals. IFTA is fortunate to have a forum that can provide us with guidance from a legal perspective. The advice the attorneys have given embraces what many jurisdictions expressed during the first two comment periods and at the 2014 Annual Business Meeting. That is, to re-write this proposal into separate ballots. Connecticut does not have a fundamental problem with updating the recordkeeping language to reflect current and emerging technologies. The rest of the ballot is, as opined by the attorneys, fraught with potential legal issues. We urge the sponsors and the voting commissioners to heed the attorneys' advice. We also strongly recommend, as we stated in the Second Comment Period, that the sponsors re-examine the proposal and engage in discussions with all stakeholders to arrive at a proposal we could all support and which will have support in our legal community. As such, Connecticut is opposed to the ballot.

GEORGIA

Support

ILLINOIS

Oppose

Illinois' opposition to this ballot as written aligns well with the remarks given by Connecticut and Ontario.

INDIANA

Support

Indiana supports ballot 3.

It replaces antiquated electronic record keeping requirements with requirements appropriate for current and evolving technology. As a result licensees will benefit by relying on clear requirements in support of their compliance while utilizing electronic systems. Jurisdictions will benefit as the new requirements support licensee compliance and their ability to make accurate revenue payments.

The ballot supports basic professional standards which enhance uniformity in audit procedures while allowing for crucial jurisdictional auditor judgment. As a result licensees will compete on a far more level playing field and jurisdictions will have greater confidence that their due revenue is being collected.

IOWA

Support

KANSAS

Support

Kansas supports this ballot in theory but has similar concerns as Montana.

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MANITOBA

Oppose

Manitoba agrees with the comments made by Ontario and New Brunswick.

MICHIGAN

Oppose

Oppose. Agree with comments made by Connecticut and Ontario.

MINNESOTA

Oppose

Minnesota opposes due to the size of the proposal, many sections may have unintended consequences and comments from the Attorneys section.

MISSOURI

Support

Missouri appreciates the opinions offered by the Attorney's Section Steering Committee (ASCC), however, the three main points of concern do not affect our decision support. Missouri supports the recordkeeping language and acknowledges the need to modernize agreement language. Missouri has concerns regarding R770, inadequate records assessment, but since the Audit Workshop we understand that it is acceptable to develop and establish procedures that depict our use of the 20% assessment. It is our understanding this will be supported in a compliance or jurisdiction review of the audit.

MONTANA

Undecided

Although Montana supports much of the intent of this ballot proposal, we cannot support it in its current form. If subsequent changes are made to this proposal, Montana will re-evaluate its position.

Specific issues regarding the ballot:

- ✓ Montana concurs with the number of other jurisdictions in that this is a “mega-ballot” that is addressing too many items and would be better served if it were broken into individual ballots. I understand that many of the issues are inter-related but this concern can be addressed in the drafting process. Montana supports the first two “intents” listed on page 3 but feels that the 3rd should be reworked.
- ✓ We are concerned about the unintended consequences of “blending” the source documents. A clear distinction between these documents should be maintained.
- ✓ While Montana agrees that we need a series of corrective (perhaps punitive) steps to address continued non-compliance, imposing sanctions during this time of extreme resource constraints may be problematic and counter-productive. I would rather see a stand-alone ballot to address this.

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NEBRASKA

Support

Nebraska appreciates the efforts of the I-CAWG for all the work they have put into this ballot. We want to acknowledge their willingness to listen to the membership and make a number of changes that were recommended after the first comment period, Annual Business Meeting and the most recent webinar. We like the ability to apply a 20% adjustment versus the application of the 4.00 mpg adjustment. Changes made to Section R770 are also an improvement.

We appreciate the opinions offered by the Attorney's Section Steering Committee (ASSC), but in our opinion, the arguments raised aren't enough to sway our support of the ballot overall.

NEVADA

Support

Nevada has carefully considered all of the comments posted during the three comment periods afforded to this ballot. Although Nevada believes R120 supports the changes proposed in the Ballot without jeopardizing the Agreement or implying membership extends beyond what Congress approved through ISTEA in 1991, we will continue to support the ballot if the R700 language is moved back into the Procedures Manual as many have suggested. We believe this ballot promotes consistent recordkeeping and auditing standards and applaud the collaborative efforts of the IFTA community and Audit Committee.

NEW BRUNSWICK

Oppose

We agree with the necessity for the modernization of the language used in the IFTA documents. However, this re-write is going over and above modernization by implementing changes to the IFTA audit program for which there is no evidence to warrant it. As an example in section A100, we do not agree with the definition of should: "should" is expressing what is probable or expected and is not a requirement.

We also concur with Ontario's comments.

NEW HAMPSHIRE

Oppose

We agree with the comments made by the Attorney Steering Committee.

NORTH CAROLINA

Oppose

NC has two concerns with the ballot: The audit staff has concerns with A330 and NC also concurs with the IFTA Attorney Section Steering Committee's concerns about ballot.

NOVA SCOTIA

Oppose

We concur with Ontario's comments.

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ONTARIO

Oppose

Following the ABM presentation and discussion, Ontario had previously expressed support of this ballot. However with the subsequent review undertaken by the Attorney's Section Steering Committee (ASSC), we believe it prudent to accept their professional opinion and deal with the individual components through separate ballots.

As the ASSC review has pointed out, in the current format, if the ballot were to be adopted it may well lead to unintended consequences for the entire IFTA community. We recognize the need to update portions of the manuals but would encourage the Audit Committee to re-draft their proposal, factoring in the ASSC concerns and membership comments, to develop future ballot submissions.

PRINCE EDWARD ISLAND

Support

QUEBEC

Oppose

Quebec thanks Me Audette and the IFTA Attorney Section for taking the time to present their comments at the 2015 IFTA and IRP Audit Workshop. The following is what Quebec questions:

A410-The new section differs from the old A620 Article by removing the following subsection:

"Copies of correspondence entre les licensee and member jurisdictions That-have a bearing on a tax liability and special instructions That May Affect the audit Shall Be Forwarded to the base jurisdiction en accord avec Each jurisdiction's disclosure policy. »

Quebec wonders on what basis the change of this paragraph has been made and also wonders how the copies of correspondence between the licensee and the member jurisdiction sent to the member base jurisdiction will be protected after the withdrawal of this paragraph.

A460-This article does not specify whether the list of information to be included in the audit report is exhaustive. Now, in the old section A660, it is written "but not limited to". Quebec wonders if the list of information required in the new article is exhaustive.

The new section R720 says: "In an IFTA audit, the burden of proof Shall Be on the licensee". We understand that there is a desire for uniformity in the use of the terms "shall", "must", "should" and "may". However, considering that the burden of proof is not an obligation to anyone but a state, it would have been preferable, in our opinion, write "the burden of proof is on the licensee".

R750-700:The current definition of "motor fuels" in section R239 is large enough to include the "alternative fuel" which is not defined in IFTA. Adding article R750.700 brings more confusion than it clarifies rules.

R750.500 and R750.850: We are unable to reconcile the obligations set new R750.220 provisions. We understand that, firstly, the base jurisdiction shall not grant tax paid credit during a fuel purchase unless the carrier submits a proof of purchase (R750.220) and registers (R750.500), but on the other hand, the carrier is not required to submit evidence to the effect that the tax was paid on the purchase with his

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returns (R750.850).

It is likely that the articles R750.220 and R750.500 target field audits. However, this is not what is written. As drafted, these provisions seem to us irreconcilable.

R770: This new provision is partly inspired by the previous provisions. Article R770 provides, that in the absence of proper records, the jurisdiction will choose to apply one of the simplistic calculations offered there instead of analyzing the situation and to assess in a reasonable manner a planned analysis in Article A550 IFTA currently in force. Thereby IFTA inc. infringes on the sovereignty of the jurisdictions to assess fairly taking into account the overall situation.

RHODE ISLAND

Oppose

Rhode Island opposes this ballot based on the opinions made by the Attorney Steering Committee.

SASKATCHEWAN

Oppose

We would like to thank the I-CAWG members for all of their work on the ballot and also thank the IFTA Attorney Section for their comments.

While we may support the ideas behind the ballot, we feel that we must agree with the comments made by New Brunswick and Ontario. We are hoping this ballot can be broken down into smaller ballots that can also address the Attorney Sections concerns.

STAKEHOLDERS

Support

ATA - Robert Pitcher

Motor carriers depend heavily on IFTA. When IFTA works smoothly, the Agreement ensures that each jurisdiction gets its appropriate revenues, and that each taxpayer pays its fair share, with a minimum of administrative burden on all parties. It is for this very basic reason that the industry takes such an interest in IFTA, for we need to make sure that IFTA works right. These things should go without saying.

Many have perceived problems with IFTA's audit and record-keeping provisions for a long time. IFTA's language is in many places obscure, obsolete, or even contradictory. This does not serve to promote uniformity in audit practices in some areas where uniformity counts. Over the last decade, a series of proposed amendments have sought to address some of these problems, but for one reason or another these have failed. More recently, changes to IRP have succeeded in modernizing the language of that program in these same areas, but have drawn IRP's requirements apart from IFTA's. That in itself creates another problem for industry and jurisdictions alike. Ballot 3, the result of a years-long focused effort by a group representing all parties interested in IFTA, clarifies IFTA's language, modernizes IFTA's record requirements, and brings IFTA's rules into line with IRP's, to minimize audit and record burdens for those subject to or administering both programs. The Ballot retains auditor discretion, while its clarification of IFTA's language will bring more certainty in the application of IFTA's rules and procedures. IFTA auditors seem almost entirely to agree that the Ballot's changes are positive. Certain legalistic objections to the Ballot have arisen very recently. These appear to be groundless. Nothing in Ballot 3 endangers the Agreement that we all depend upon. Rather, the Ballot incorporates a set of

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realistic, positive changes that will make IFTA and IFTA's audit program stronger. Ballot 3 should be adopted.

I-CAWG Comments

After careful consideration of the comments and concerns brought forward prior to their annual meeting in San Antonio last week, the Audit Committee voted to move the recordkeeping requirements out of the Articles of Agreement and leave them in the Procedures Manual. The Audit Committee also voted to add the word "audit" before each reference of "evidence" found in the new language. I-CAWG will be making these changes to the ballot prior to releasing it for membership vote in mid-April. We would like to personally thank each of the Commissioners for taking the time to read and comment on the ballot. The purpose of the IFTA Agreement is to promote and encourage the fullest and most efficient possible use of the highway system by making uniform the administration of motor fuels use taxation laws with respect to motor vehicles operated in multiple member jurisdictions. We believe we have made every effort to preserve this purpose and ensure record keeping and auditing standards support the uniform administration of motor fuel use taxation laws in member jurisdictions. Thank you for your support.

TEXAS

Oppose

UTAH

Support

With the changes made after the Annual meeting, concerning the ability for auditors to use their judgment in audits with poor information, Utah supports this ballot. This ballot will help bring uniformity to the IFTA audit procedure.

WASHINGTON

Support

Washington would support this ballot with some clarification and suggested changes:

R710 Retention and Availability of Records

Suggest changing "must" travel to the location where records are maintained... to "may travel".

A220 Auditor Independence

Need clarification on what personal, external, and organizational impairments are? How does This relate to independence?

A330 Sampling and Projection

Suggest changing "sample vehicles shall be tracked for at least one full calendar quarter" to "representative sample for each license year."

A350 Audit Adjustments

.005 Suggest changing "reduce the reported fleet MPG or KPL by 20%" to "reduce the reported vehicle MPG or KPL by 20% or

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.010 Suggest changing "adjust the MPG to 4.00 or the KPL to 1.7" to "adjust the vehicle MPG 4.00 or the KPL to 1.7"

WEST VIRGINIA

Oppose

Concur with other jurisdictions reasons for opposing the ballot.

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SUMMARY

26 Comments

Support: 18
Oppose: 2
Undecided: 4
General: 2

ALABAMA

Support

ALBERTA

Undecided

We would like to thank the Audit Committee, I-CAWG and the ASSC for their work and comments on this ballot. After reading through the ballot and the ASSC comments, we are more comfortable with the ballot. In discussion with our audit branch, we have the following suggestions and comments:

- Proposed effective date - should it be for a calendar year
- R1340.100 - we are wondering whether a review every 3 years is too often and suggest a 5 year period for review. We are also wondering whether the review should be imperative or not.
- R1370.100 - We have concerns about the paragraph in that we provide the licensee with an audit letter including the audit findings, audit adjustments and recommendations towards their process. However, the notice of reassessment which processes the actual audit adjustments and shows the effective date of interest and the interest calculation is handled by another area and sent out at a different date than the audit letter so that the time periods specified in R1360 and R1390 may not coincide with the date the "*final audit report*" is provided to the licensee. We understand the importance of communication but we find the current proposed language in R1370 to be too strict. Our suggestion is that the audit findings and adjustments be provided to the licensee **in writing** (and don't have to specify that it is the audit report, or audit findings letter, etc.). Also, should the notice of reassessment date be used in our case for R1360 and 1390?
- R1390 - Just for information, Alberta's fuel tax legislation provides for an objection process (handled internally) before the appeal process for appeals to be filed with an Alberta court.
- P510 - We have concerns as our Traffic Safety Act only requires drivers to maintain driver's log for 6 months. In a lot of cases, we will have to use best available information considering the current log, internal controls, etc to make the best judgement on the audit. We suggest that the language be modified to take into account record retention requirements under the laws for the respective base jurisdiction.
- P540.100 - wondering whether those records "should" be accepted instead of "shall"
- P540.200 - would like to see an additional requirement that the carriers be responsible to provide the GPS data to our auditors, and not the GPS service provider.
- P550.700 - suggest the requirements "should" apply, in so far as they are practicable.
- P570.100 - To provide for auditor discretion and allow for use of best available information, benchmark, etc, our preference is that the base jurisdiction "should" impose an additional assessment, rather than "shall".
- A100 - The concept of auditing on behalf of all member jurisdictions can be subjective and we would appreciate a clear definition of it (in addition to the examples provided at the annual business meeting) before the word "must" is used.
- A320 - We think that an example of the licensee's records "should" be included in the audit file instead of "must".
- A460 - paragraph before .100 - same concern as in R1370. It is important that the audit findings and adjustments be communicated in writing to the licensee but the method of communication should not be limited to just using the audit report.

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- A460 - Our general thoughts are that the information should be included in the audit package which may include the audit report and schedules, the audit findings letter, etc, and that the information should be clearly cross referenced so that one can see clearly where to go to obtain the information. Requiring all the information right on the audit report is too strict and leads to inefficiencies.
- A470 - we suggest that the audit file "should" contain at least the following information instead of "shall"
- A470.010 - suggest to qualify the statement that it is only records that are relevant to IFTA and its compliance that should be listed.
- We also wish to echo Oregon's comments from the comment period ending June 12, 2014 on what to do if a carrier is just a couple of days late in responding. Our general thoughts are that there should be some discretion to deal with unforeseeable and reasonable circumstances and so the word "should" should be considered in a number of cases rather than the word "shall".

ARIZONA

Support

Attorneys Section Steering Committee

After reviewing the original ballot, the ASSC had raised several concerns as we outlined in our original comments. The Audit section has responded by redrafting the ballot to address the concerns raised. We have worked with the audit committee on the redraft and reviewed their latest document. The ASSC thanks the Audit committee for listening and responding to the specific concerns raised.

We had stated that the ballot contained what appeared to be three separate and distinct provisions which would be better understood if addressed separately. This has been addressed by removing much of what caused the ballot to be so lengthy, the moving of many of the provisions of the audit manual to the agreement. The Ballot in its redrafted form has taken out these changes to the IFTA agreement which raised concerns regarding the nature of the agreement and its continued enforceability. This is no longer a concern with the ballot as currently revised.

The ballot still does contain what could be argued as two items which could be separately considered, the electronic record provisions, and the changes to the audit procedures. However, the revised document clearly states the specific changes to the audit procedures, gives a brief rational for each change and a clear indication that the changes would not affect the items that the peer review committee could refer to the dispute resolution committee. The new form makes it much more clear to the membership what changes are being sought, why, and what the consequences of a jurisdiction's noncompliance with the new mandatory provisions would be. The ASSC sees this aspect of the revised ballot as a model of transparency and clarity. After reading the revised ballot jurisdictions should be able to make a well-Informed decision based on a clear understanding of what the new provisions will require.

CALIFORNIA

Oppose

California appreciates all the hard work that has gone into creating Ballot #3-2014 and hopes much of it can be used on future ballots but California cannot support this ballot.

Reasons California is opposed to Ballot 03-2014.

1. This ballot has grown beyond the scope of the stated intent.

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Intent

1. Provide distance reporting requirements for IFTA that address technological advances in the recording of qualified motor vehicle travel, regardless of media.
2. Modify the Audit Manual to enhance uniformity in the conduct of audits and in the content of the Inter-jurisdictional audit report.

California recommends the two intents be broken up into two separate ballots, and those ballots should be restricted to the scope of the stated intent (avoid scope creep).

2. Section P520 *Burden of Proof*, requires jurisdictions to impose a punitive measure of a 4.0 mpg or 20% reduction of MPG.

the base jurisdiction shall impose an additional assessment by either:

- .005 adjusting the licensee's reported fleet MPG to 4.00 or 1.70 KPL; or
- .010 reducing the licensee's reported MPG or KPL, by twenty percent.

Punitive actions must always be at the discretion of the auditing jurisdiction and never a requirement of the Agreement. Recommend replacing "Shall" with "Should" or "May".

3. The ballot is adding language that does not belong in the Agreement. An example is:

A240 AUDITOR QUALIFICATIONS AND RESPONSIBILITIES

All jurisdictions have established minimum qualifications and expectations for their audit positions. Jurisdictions are not going to look to the Agreement for its auditor qualifications or responsibilities. It is inappropriate to place this type of language in the Agreement.

4. Sections of the ballot are written in a negative tone (Thou Shall Not).

.200 The base jurisdiction shall not accept, for purposes of allowing tax-paid credit, any fuel record that has been altered, indicates erasures, or is illegible, unless the licensee can demonstrate that the record is valid.

210 The base jurisdiction shall not allow tax-paid credit for any fuel placed into a vehicle other than a qualified motor vehicle.

220 The base jurisdiction shall not allow a licensee credit for tax paid on a retail fuel purchase unless the licensee produces, with respect to the purchase

The Agreement is a positive document and should maintain a positive tone. The same information can be written in a positive tone

5. California does not support the approach of creating a single ballot with so many changes to the Agreement. It is too hard to understand all the effects these changes may have on the Agreement and trying to read and digest all the information presented can be confusing.

IDAHO
Support

INDIANA
Support

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Industry Advisory Committee

Support

IAC Chair, Sandy Johnson - 7/13/2015

IFTA is an agreement that depends on cooperation and for the past 30+ years it has worked to the benefit of both government and industry. IFTA ensures that each jurisdiction gets its share of revenues and each taxpayer pays tax only on what they use. IFTA is a key element to commerce in the United States and Canada in getting goods to market. The motor carrier industry relies on IFTA to streamline their tax reporting requirements. Most, if not all, simply want IFTA to function optimally and with little legalese. Just tell them what is required, in clear language.

A lack of uniformity created by outdated language is currently a problem for IFTA. IRP, a similar agreement, succeeded in updating their language to meet today's motor carrier industry realities. The differing requirements between IFTA and IRP now present a problem for both the motor carrier industry and government.

The I-CAWG, a group of dedicated practitioners of the program, spent much time and effort to bring the IFTA rules into line with IRP's to minimize the audit and record burdens for all subject to or administering both programs. Delaying the clarification and modernization of the IFTA language creates a huge problem for both government and industry as it makes it practically impossible for the industry to meet the record keeping requirements and the government to audit them.

The Ballot retains auditor discretion, a key element. It seems that all auditors almost entirely agree that the changes to the language are positive. Ballot 3 should be adopted.

KANSAS

Support

MAINE

Undecided

Maine's audit group provides the following observations.

Line 62 – Should R1320 be lined out?

Lines 129-130 – R1370 Audit Reports – New section that adds that the 30 and 45 days start when the licensee is provided the final audit report. This added language creates a conflict with the referred to sections R1360 and R1390 (new) as each section provides when the time periods start.

Lines 188-195 – R1390 Audit Appeals – This section appears superfluous as current section R1400 provides for ALL appeals. This section would add additional requirements for jurisdictions, even if they do have appeal procedures law. If passed this section could conflict with a jurisdiction's appeal laws.

Lines 349-358 and 456-465 - Deviation from calendar quarterly – these sections introduce new concepts into this document with terms such as “slightly” and “materially”. Suggest removing these sections, as these terms are not defined. The concept is sound. As long as all the operations are reported and it is easier to comply, does it matter that two days of June are reported in the 3rd quarter? Suggest adding this type of guideline to the Best Practices Guide.

Lines 515-520 - P520 Summaries – recommend removing the word “demand” and wording the requirement stronger.

“Summaries are necessary to facilitate an efficient audit of the licensee's distance and fuel accounting systems. Monthly and quarterly summaries of the fleet's operations, reported on the corresponding

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quarterly tax return that include the distance traveled by and the fuel placed into each vehicle in the fleet, both in total and by jurisdiction are required. Such summaries shall be made available for audit.”

Line 562 – “criterion” is singular, should it be replaced with “criteria” plural?

Line 907 – Not sure how the PCRC would evaluate how an auditor conducted themselves.

Lines 954-976 - A300 Preliminary Audit Procedures - The items in subsections .100, .200, .300 are required for audit. Do not agree that they need to be done as part of the “preliminary procedures”. The way this section is worded appears to imply that all this information should be gathered prior to contact with the licensee. This works for jurisdictions sending questionnaires out prior to starting audits. Maine conducts opening interviews with licensees. Prior to this meeting, we evaluate all information on file, IFTA and IRP, to glean as much information as possible.

Lines 1014-1020 A320 Evaluation of Internal Controls - Based on the requirements of sections .400, .500, .600, a determination of the reliability of internal controls would need to be calculated and any testing conducted would be based on the reliabilities of internal controls. This is statistical auditing, typically used in financial statement audits to determine the reliability that an error causing a material misstatement may not be found with the sampling techniques employed. Not sure how this would be applicable to auditing distance. May be useful on very large carrier audits, not as useful on smaller carriers. This should not be a mandate.

The proposed effective date should be a minimum of one year after passage. This ballot reflects major changes.

MANITOBA

Support

MARYLAND

Support

MINNESOTA

Undecided

A single ballot with numerous changes makes a difficult task in determining the effects of the changes. Minnesota feels the ballot grew beyond the scope of the stated intent leading to unnecessary changes.

MISSOURI

Support

MONTANA

Support

NEVADA

Support

NEW MEXICO

Support

NORTH CAROLINA

Support

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OKLAHOMA

Support

The members of the Audit Committee and the I-CAWG are to be commended for staying focused on their mission and conducting themselves professionally through this lengthy, and at times, contentious process. Commendations should also be given to the Attorney's Section for providing significant study and feedback to the Audit Committee and the jurisdictions. Now that the Attorney's Section Steering Committee agrees the Audit Committee has addressed their concerns, Oklahoma encourages the jurisdictions to vote in favor of the ballot.

ONTARIO

Support

OREGON

Undecided

7/22 Oregon is interested in seeing new comments from the Attorney Section before deciding.

7/23 update -- Thank you to ASSC for posting their comments. I will certainly take those into consideration before casting a vote. I am left to wonder if there may be unintended consequences resulting from some of the procedural changes contemplated by the ballot. Will we see more "penalty audits?" If the auditor determines that the records do not meet this newly proposed definition of "adequacy" (proposed P530) you could impose the 4.0 MPG or reduce the MPG by 20% with no further discussion. Will auditors stop agonizing over working with the taxpayer to arrive at a reasonable conclusion that is fair to both the jurisdictions and the taxpayer despite poorly kept or non-existent records? Will auditors simply take the position that the records do not meet the test of adequacy and hand them their assessment? These outcomes certainly appear to be possible choices and that could mean that we move to less than uniform audit conclusions. And with that thought in mind, how shall compliance review teams treat "should" as it will appear in the audit procedures manual? Compliance reviewers will have to treat the Audit Manual differently than they consider the Articles of Agreement or Procedures Manual. In the face of such a possible breadth of audit outcomes depending on how much effort auditors want to invest in a no records or insufficient records audit how shall compliance review teams measure for compliance? I am a bit surprised that there is absolutely no mention of this ballot anywhere on the agenda for the business meeting. It is a significant piece of unfinished business.

I respect and value all the effort that has been invested in this ballot by the sponsors. I remain undecided and post these comments in the hopes of stimulating further discourse that may well serve to move the needle one way or the other for me before I cast my vote.

7/28 update -- Oregon auditors have been polled and follows is their consensus opinion.

Things we don't like

- Removes locking in the time period required to preserve the records if the licensee fails to provide records. (Line 264)
- It indicates that the burden of proof is on the licensee (Line 270) but that is not very strong language compared to the language removed starting on Line 1645 where it definitively states that the audit is presumed to be correct.
- Removes the requirement for the licensee to maintain records delineating taxable versus non-taxable fuel and distance plus eliminates the requirement for licensees to maintain distance recaps for each jurisdiction. (Line 360) P560 (line 519) indicates monthly summaries "may" be necessary but does indicate that the licensee "shall" make such summaries available for audit. We don't think that is as strong of language as what is being deleted.

FTPBP #3-2014

Fourth Comment Period Ending August 24, 2015

Things we like

- Auditors might actually prefer this directive rather than splitting hairs in whether to assess Industry Average or 4.0 mpg. (Line 559) We can still assess based on an Industry Average for individual trucks under A350. (Line 1056)
- Adds good direction on when to reduce total fuel when determining a fleet mpg. (Line 1083)
- Removes the 3 quarter sampling language. (Line 1275)

Where we're conflicted

- Adequacy of Records gives auditors flexibility and discretion in determining whether they can conduct an audit with the records provided. (Line 285) Giving auditors flexibility and discretion is a double-edged sword. Will auditors from different jurisdictions all operate in disparate ways? Perhaps. Will we have to defend what is adequate and sufficient at hearings and to other jurisdictions? Most likely, yes.

PRINCE EDWARD ISLAND

Support

Stakeholders

ATA - Robert Pitcher (7/28/2015)

ATA strongly supports this ballot.

We're pleased to see that the Attorneys Section has withdrawn its objections. Once again, this ballot is needed because (1) IFTA's current guidance for auditors and licensees in the areas of auditing and record keeping is out of date, confusing, and inconsistent, (2) IFTA needs to accommodate records produced by advanced vehicle-tracking systems, and (3) the proposal will bring IFTA requirements into line with those of the IRP. It may be worthwhile to point out that two years ago IRP adopted distance-reporting rules very similar to those proposed in this ballot, and that no significant problems have developed over that period. On the other side, this ballot's fuel-reporting rules are very little changed from those IFTA has always had.

The lengthy comment period to which this proposal has been exposed has served to improve it, as changes have been made. At the same time, understanding of what the ballot does – and doesn't do – has grown appropriately. It's time now to adopt this ballot!

VIRGINIA

Undecided

Virginia recognizes and applauds all the hard work that many have put into this ballot and the ballot process. We are anxious to support a ballot that achieves the intended goals, and simply need some additional time to fully consider all the nuances of the proposal and the latest round of questions and comments. There are just a couple of items that we would like to point out to the sponsors for consideration.

R1340 sets out requirements for the Audit Committee. We question whether it is appropriate to establish committee requirements within the Articles of Agreement. This section also sets out a requirement that the membership cannot adopt changes to the Audit Manual with less than a one-year lead time unless unanimously approved. We question the wisdom of such a provision.

WISCONSIN

Support

WYOMING

Support

**IFTA FULL TRACK FINAL BALLOT PROPOSAL 3-2014
VOTING RESULTS**

| JURISDICTION | LANGUAGE | | EFFECTIVE DATE | |
|--------------------------------|----------|----|----------------|----|
| | YES | NO | YES | NO |
| ALABAMA | 1 | | 1 | |
| ALBERTA | 1 | | 1 | |
| ARIZONA | 1 | | 1 | |
| ARKANSAS | 1 | | 1 | |
| BRITISH COLUMBIA | 1 | | 1 | |
| CALIFORNIA | | | | |
| COLORADO | 1 | | 1 | |
| CONNECTICUT | 1 | | 1 | |
| DELAWARE | 1 | | 1 | |
| FLORIDA | 1 | | 1 | |
| GEORGIA | 1 | | 1 | |
| IDAHO | 1 | | 1 | |
| ILLINOIS | 1 | | 1 | |
| INDIANA | 1 | | 1 | |
| IOWA | 1 | | 1 | |
| KANSAS | 1 | | 1 | |
| KENTUCKY | | 1 | | 1 |
| LOUISIANA | | | | |
| MAINE | | | | |
| MANITOBA | 1 | | 1 | |
| MARYLAND | 1 | | 1 | |
| MASSACHUSETTS | 1 | | 1 | |
| MICHIGAN | | | | |
| MINNESOTA | 1 | | 1 | |
| MISSISSIPPI | 1 | | 1 | |
| MISSOURI | 1 | | 1 | |
| MONTANA | 1 | | 1 | |
| NEBRASKA | 1 | | 1 | |
| NEVADA | 1 | | 1 | |
| NEW BRUNSWICK | | 1 | | 1 |
| NEW HAMPSHIRE | 1 | | 1 | |
| NEW JERSEY - INELIGIBLE | | | | |
| NEW MEXICO | 1 | | 1 | |
| NEW YORK | 1 | | 1 | |
| NEWFOUNDLAND | | 1 | | 1 |
| NORTH CAROLINA | 1 | | 1 | |
| NORTH DAKOTA | 1 | | 1 | |
| NOVA SCOTIA | 1 | | 1 | |
| OHIO | 1 | | 1 | |
| OKLAHOMA | 1 | | 1 | |
| ONTARIO | 1 | | 1 | |
| OREGON | | 1 | | 1 |
| PENNSYLVANIA | 1 | | 1 | |
| PRINCE EDWARD ISLAND | 1 | | 1 | |
| QUEBEC | 1 | | 1 | |
| RHODE ISLAND | 1 | | 1 | |
| SASKATCHEWAN | 1 | | 1 | |

**IFTA FULL TRACK FINAL BALLOT PROPOSAL 3-2014
VOTING RESULTS**

| JURISDICTION | LANGUAGE | | EFFECTIVE DATE | |
|----------------|-----------|----------|----------------|----------|
| | YES | NO | YES | NO |
| SOUTH CAROLINA | 1 | | 1 | |
| SOUTH DAKOTA | 1 | | 1 | |
| TENNESSEE | 1 | | 1 | |
| TEXAS | 1 | | 1 | |
| UTAH | 1 | | 1 | |
| VERMONT | 1 | | 1 | |
| VIRGINIA | 1 | | 1 | |
| WASHINGTON | 1 | | 1 | |
| WEST VIRGINIA | 1 | | 1 | |
| WISCONSIN | 1 | | 1 | |
| WYOMING | 1 | | 1 | |
| TOTALS | 49 | 4 | 49 | 4 |

Bold font in the voting total columns and shading indicate that the jurisdiction did not vote.

Failure to vote for the ballot language counts as a "No" vote.

Failure to vote for the alternative effective date counts as a "No" vote.

Number of "YES" votes necessary to pass: 44

Effective Date: January 1, 2017

LANGUAGE:

NUMBER OF "YES" VOTES RECEIVED: **49**

NUMBER OF "NO" VOTES RECEIVED: **4**

NUMBER OF VOTES NOT RECEIVED: **5**

RESULT: PASSED

ALTERNATIVE EFFECTIVE DATE:

NUMBER OF "YES" VOTES RECEIVED: **49**

NUMBER OF "NO" VOTES RECEIVED: **4**

NUMBER OF VOTES NOT RECEIVED: **5**

RESULT: PASSED

Ballot Intent:

- 1. Provide distance reporting requirements for IFTA that address technological advances in the recording of qualified motor vehicle travel, regardless of media.**
- 2. Modify the Audit Manual to enhance uniformity in the conduct of audits and in the content of the Interjurisdictional audit report.**

FOR VOTE BY MARCH 12, 2015



**IFTA FULL TRACK FINAL BALLOT PROPOSAL
#4-2014**

Sponsor

IFTA Audit Committee

Date Submitted

September 25, 2014

Proposed Effective Date

January 1, 2016

Manual Sections to be Amended

(January 1996 Version, Effective July 1, 1998, as revised)

IFTA Audit Manual

Current

A300 IFTA Auditing Standards

A310 Number of Audits

Subject

Setting a clear standard for when an audit qualifies to be counted toward the satisfaction of a member jurisdiction's quota requirements.

History/Digest

IFTA ballot #02-2011 was passed on January 19, 2012 and became effective on passage. It changed A300 Audit Standards and A310 Number of Audits. The intent of the ballot was: *To remove the term "one registration year" and replace it with "license" so that it conforms with the language used to describe an IFTA licensee.*

The language was interpreted to mean that a member jurisdiction had to conduct an audit covering all quarters, under which a license is in effect, for a calendar year in order for the audit to count toward quota requirements.

Intent

The intent of this ballot is to set qualifications for when an audit counts toward the satisfaction of a member jurisdiction's quota requirements.

It would allow an audit that includes four consecutive quarters to count as an audit toward audit quota requirements. It would remove the current requirement for an audit to cover at least one license year to be counted toward the audit quota requirement.

If a member jurisdiction chooses, and as long as four consecutive quarters are included in the audit period, it could match the audit period for an IFTA audit with the distance period of an IRP audit.

Interlining Indicates Deletion; Underlining Indicates Addition

A300 IFTA AUDITING STANDARDS

***A310 NUMBER OF AUDITS**

~~Base jurisdictions will be held accountable for audits and will be required to complete audits of an average of 3 percent per year of the number of IFTA accounts required to be reported by that jurisdiction on the annual reports filed pursuant to the IFTA Procedures Manual, Section P1110.300.005 excluding new licensees, for each year of the program compliance review period, other than the jurisdiction's first implementation year. Such audits shall cover at least one license year. This does not preclude audits of individual licensees several times during the program compliance review period. However, audits of a single licensee that cover multiple license years, fuel types, or both shall be counted as one audit for the program compliance review purposes.~~

A jurisdiction is required to complete audits on a specific number of licensees during their program compliance review period. To calculate the number of audits required for the program compliance review period a jurisdiction utilizes the information from the jurisdiction's annual report for each year subject to the program compliance review.

.100 For a jurisdiction that has undergone a program compliance review, the required number of audits is determined by subtracting the number of new licensees per P1110.300.025 from the total number of IFTA accounts per P1110.300.005 and multiplying the result by 3 percent.

.200 If a jurisdiction becomes a new IFTA member, audits are not required in the first year of membership. For the second year of membership the new jurisdiction will multiply the total number of IFTA accounts per P1110.300.005 by 3 percent to determine the required number of audits. Subsequent years will utilize the calculation in A310.100.

To qualify as an audit for the purposes of A310 an audit shall cover at least four consecutive quarters. This does not preclude audits of individual licensees several times during the program compliance review period. However, audits for a licensee selected that cover multiple license years, fuel types, or both shall be counted as one audit for program compliance review purposes.

NO CHANGES HAVE BEEN MADE FOLLOWING THE SECOND COMMENT PERIOD

FTPBP #4-2014
First Comment Period Ending June 12, 2014

Support: 10
Oppose: 22
Undecided: 5

ALABAMA

Oppose

ALBERTA

Oppose

The ballot is unclear and we have the same concerns as Nebraska. Using the same audit period for IFTA and IRP will result in less administrative burden for both the jurisdiction and the carrier.

ARIZONA

Support

BRITISH COLUMBIA

Support

CONNECTICUT

Oppose

We oppose this ballot due to a lack of clarity as per Oregon's comments.

IDAHO

Support

ILLINOIS

Undecided

IOWA

Undecided

This ballot is on the correct path, it just needs further clarification for it to be supported.

KANSAS

Oppose

If read correctly, a jurisdiction could potentially get credit for doing a one or two quarter audit. Shouldn't at least 4 quarters be considered to get credit for an audit?

KENTUCKY

Support

MAINE

Oppose

Maine concurs with Oregon's comments.

FTPBP #4-2014
First Comment Period Ending June 12, 2014

MANITOBA

Oppose

MARYLAND

Oppose

Maryland agrees with Oregon regarding the lack of clarity.

MASSACHUSETTS

Oppose

MICHIGAN

Oppose

Agree with the intent of the ballot, but oppose the current wording.

MINNESOTA

Oppose

Minnesota feels the proposal wording is vague, confusing and open to interpretation. In the current wording we may be opening the door for creative counting to meet the audit quota standards. MN is interpreting that the current proposal would allow a jurisdiction to count an audit if a carrier filed a tax return for one quarter. Citing examples for illustration purposes is helpful and assists in clarification. We recommend a change to read "To qualify as an audit for the purposes of A310 an audit shall cover at least four consecutive quarters.

MISSOURI

Support

MONTANA

Oppose

The recommended changes they are recommending are convoluted and do not resolve the concern. A simple change such as replacing "license year" with 4 consecutive quarters or 12 consecutive months would provide greater flexibility.

NEBRASKA

Oppose

Nebraska does not support the ballot as currently written and offers the following alternative for your consideration:

A300, A310 Number of Audits Lines 29 - 32:

To qualify as an audit for the purposes of A310 an audit shall cover at least four consecutive quarters. The four consecutive quarters that a member jurisdiction has a right to audit would include any four consecutive quarters where a license was or should have been in force.

Lines 32 (beginning with This does not preclude...) through 35 remain unchanged.

FTPBP #4-2014
First Comment Period Ending June 12, 2014

For jurisdictions that audit IRP and IFTA, it is not uncommon to audit four quarters that correspond to the IRP July - June reporting period (3rd and 4th quarter of one license year and 1st and 2nd quarter of the following license year). By replacing the proposed language with four consecutive quarters jurisdictions have the flexibility to audit a calendar year or some other 12 month period, provided the audited quarters are consecutive. Further, Nebraska does not support the idea that jurisdictions can count a one quarter audit as an audit for reporting purposes.

NEVADA

Undecided

Nevada agrees with the comments made by Oregon. However, we believe an "audit" of less than 4 quarters should be permitted provided the jurisdiction covers all of the auditable quarters in the license year. This addition prevents a carrier from base jurisdiction hopping.

If the jurisdiction follows all the same procedures for an audit, sampling, internal control evaluation, opening/closing conferences, etc., it should not matter if the carrier was in business for one quarter or all four quarters of the licensing year. A sample within a licensing year is only one quarter of the four anyway. Therefore, it should not matter if all auditable quarters within a license year, or all four quarters of a licensing year, or four consecutive quarters are selected, the amount of work to conduct the audit is the same.

NEW BRUNSWICK

Oppose

We support the intent of the ballot, however the wording is confusing.

NEW HAMPSHIRE

Oppose

We are opposed for the similar reasons cited by Maine and Nebraska.

NEW JERSEY

Oppose

I support the intent however I am in agreement with others that there needs to be some clarification.

NEW MEXICO

Undecided

NEW YORK

Oppose

Agree with the intent however the wording is confusing.

NORTH CAROLINA

Support

NOVA SCOTIA

Oppose

FTPBP #4-2014
First Comment Period Ending June 12, 2014

We oppose the ballot as currently written. We find it confusing. An example of how it currently works as compared to how it will work would be most beneficial.

ONTARIO

Oppose

OREGON

Oppose

I recommend a No vote. I don't believe the changes are clearly worded and may introduce unintended consequences.

- "...an audit shall cover all quarters available within at least one license year for which a member jurisdiction has the right to audit." I'm not sure what that means. There is no statute of limitations regarding how far back a jurisdiction may audit in the Agreement. If Oregon has an administrative rule determining that we can audit back 4 years from the filing of the tax return, does this language then REQUIRE us to audit all quarters of that license year?
- A310.100 is not clearly worded. Suggest "For a jurisdiction which has undergone a program compliance review, the required number of audits is determined by subtracting the number of new licensees per P1110.300.025 from the total number of IFTA accounts per P1110.300.005 and multiplying the result by 3 percent. (Reference to P110.300.025 is incorrect in the ballot.)
- A301.200 "...multiply the total number of IFTA accounts per P1110.300.005 by 3 percent." (Reference to P111.300.005 is incorrect in the ballot.)

PENNSYLVANIA

Undecided

QUEBEC

Oppose

wording is confusing, need some clarification.

RHODE ISLAND

Oppose

The intent of the ballot is good but the current wording is confusing.

SASKATCHEWAN

Support

TENNESSEE

Support

UTAH

Oppose

FTPBP #4-2014
First Comment Period Ending June 12, 2014

WASHINGTON
Support

WEST VIRGINIA
Support

FTPBP #4-2014

Second Comment Period Ending November 17, 2014

SUMMARY

20 Comments

Support: 9
Oppose: 4
Undecided: 7

ALABAMA

Oppose

ALBERTA

Undecided

ARIZONA

Oppose

BRITISH COLUMBIA

Support

CONNECTICUT

Undecided

For purposes of this Comment Period we will remain "Undecided" although we would lean toward opposition. We do agree that there needs to be clarity in what constitutes an audit for count and/or strata to meet the requirements of Sections A310 and A320 of the Agreement. And we do understand and agree that consistently doing audits of less than four quarters is not an indicator of a sound audit program. However, as we have indicated before, there are occasions where jurisdictions will want to audit a carrier based on leads from other sources such as law enforcement. Member jurisdictions should applaud the efforts of their peers who seek to enforce tax compliance upon those who do not comply; there should not be a problem with granting "credit" to those who do. Truthfully, if the carrier is purchasing most or all fuel in the base jurisdiction, tax was most likely paid on that fuel. The efforts to enforce compliance really affects member jurisdictions more so than the base. We would prefer to have this proposal structured to permit such occurrences with limitations; perhaps language which permits such "audits" of less than four consecutive quarters where cause is documented and approved by the Program Compliance Review Committee.

IOWA

Undecided

KENTUCKY

Support

MINNESOTA

Undecided

There are situations where we find licensees that have known reporting and record keeping issues, waiting 4 quarters to conduct an audit extends the time for correction. MN feels it would be beneficial if the proposal contained language which allows an audit of less than four consecutive quarters and cause is documented. We are therefore auditing for future compliance.

FTPBP #4-2014
Second Comment Period Ending November 17, 2014

NEVADA

Undecided

Nevada has long been an advocate for counting audits of less than 4 quarters on accounts that pose a risk. The amount of work involved in an audit is the same whether the audit covers one quarter or four. A four quarter audit requires a one quarter sample. In a one to three quarter audit, a minimum of a one quarter sample is still required, so fears that a jurisdiction would conduct too many "less than four quarter" audits is really unfounded, as the amount of work is essentially the same. Our experience has been audits of high risk accounts, even when less than four quarters are actually more work as the licensees are often times not very cooperative. Nevada will go with the majority on this ballot. If membership feels it is important to have a minimum of four quarters to count as an audit by showing support for this ballot, we will support it. If the majority believes, as Nevada does, that the number of quarters does not matter and opposes the ballot, we will oppose.

NEW BRUNSWICK

Oppose

NORTH CAROLINA

Support

NOVA SCOTIA

Support

ONTARIO

Support

PENNSYLVANIA

Undecided

Pennsylvania is currently undecided on FTPBP #4.

PRINCE EDWARD ISLAND

Support

QUEBEC

Support

RHODE ISLAND

Undecided

SASKATCHEWAN

Support

TEXAS

Support

UTAH

Oppose

FTPBP #4-2014
Second Comment Period Ending November 17, 2014

**IFTA FULL TRACK FINAL BALLOT PROPOSAL 4-2014
VOTING RESULTS**

| JURISDICTION | LANGUAGE | | EFFECTIVE DATE | |
|--------------------------------|----------|----|----------------|----|
| | YES | NO | YES | NO |
| ALABAMA | 1 | | 1 | |
| ALBERTA | | 1 | | 1 |
| ARIZONA | | 1 | | 1 |
| ARKANSAS | 1 | | 1 | |
| BRITISH COLUMBIA | 1 | | 1 | |
| CALIFORNIA | 1 | | 1 | |
| COLORADO | 1 | | 1 | |
| CONNECTICUT | | 1 | | 1 |
| DELAWARE | 1 | | 1 | |
| FLORIDA | | | | |
| GEORGIA | 1 | | 1 | |
| IDAHO | 1 | | 1 | |
| ILLINOIS | 1 | | 1 | |
| INDIANA | 1 | | 1 | |
| IOWA | 1 | | 1 | |
| KANSAS | 1 | | 1 | |
| KENTUCKY | 1 | | 1 | |
| LOUISIANA | 1 | | 1 | |
| MAINE | | 1 | | 1 |
| MANITOBA | | 1 | | 1 |
| MARYLAND | | 1 | | 1 |
| MASSACHUSETTS | 1 | | 1 | |
| MICHIGAN | | 1 | | 1 |
| MINNESOTA | | | | |
| MISSISSIPPI | 1 | | 1 | |
| MISSOURI | 1 | | 1 | |
| MONTANA | 1 | | 1 | |
| NEBRASKA | 1 | | 1 | |
| NEVADA | 1 | | 1 | |
| NEW BRUNSWICK | | 1 | | 1 |
| NEW HAMPSHIRE | | 1 | | 1 |
| NEW JERSEY - INELIGIBLE | | | | |
| NEW MEXICO | 1 | | 1 | |
| NEW YORK | 1 | | 1 | |
| NEWFOUNDLAND | 1 | | 1 | |
| NORTH CAROLINA | 1 | | 1 | |
| NORTH DAKOTA | 1 | | 1 | |
| NOVA SCOTIA | 1 | | 1 | |
| OHIO | | | | |
| OKLAHOMA | 1 | | 1 | |
| ONTARIO | 1 | | 1 | |
| OREGON | | 1 | | 1 |
| PENNSYLVANIA | | 1 | | 1 |
| PRINCE EDWARD ISLAND | 1 | | 1 | |
| QUEBEC | 1 | | 1 | |
| RHODE ISLAND | 1 | | 1 | |
| SASKATCHEWAN | 1 | | 1 | |
| SOUTH CAROLINA | 1 | | 1 | |

**IFTA FULL TRACK FINAL BALLOT PROPOSAL 4-2014
VOTING RESULTS**

| JURISDICTION | LANGUAGE | | EFFECTIVE DATE | |
|---------------------|-----------|-----------|----------------|-----------|
| | YES | NO | YES | NO |
| SOUTH DAKOTA | | | | |
| TENNESSEE | 1 | | 1 | |
| TEXAS | 1 | | 1 | |
| UTAH | | 1 | | 1 |
| VERMONT | | | | |
| VIRGINIA | | 1 | | 1 |
| WASHINGTON | 1 | | 1 | |
| WEST VIRGINIA | 1 | | 1 | |
| WISCONSIN | 1 | | 1 | |
| WYOMING | 1 | | 1 | |
| TOTALS | 39 | 13 | 39 | 13 |

Bold font in the voting total columns and shading indicate that the jurisdiction did not vote.

Failure to vote for the ballot language counts as a "No" vote.

Failure to vote for the alternative effective date counts as a "No" vote.

Number of "YES" votes necessary to pass: 44

Effective Date: January 1, 2016

LANGUAGE:

NUMBER OF "YES" VOTES RECEIVED: **39**

NUMBER OF "NO" VOTES RECEIVED: **13**

NUMBER OF VOTES NOT RECEIVED: **5**

RESULT: INSUFFICIENT # OF VOTES

ALTERNATIVE EFFECTIVE DATE:

NUMBER OF "YES" VOTES RECEIVED: **39**

NUMBER OF "NO" VOTES RECEIVED: **13**

NUMBER OF VOTES NOT RECEIVED: **5**

RESULT: INSUFFICIENT # OF VOTES

Ballot Intent:

The intent of this ballot is to set qualifications for when an audit counts toward the satisfaction of a member jurisdiction's quota requirements.

It would allow an audit that includes four consecutive quarters to count as an audit toward audit quota requirements. It would remove the current requirement for an audit to cover at least one license year to be counted toward the audit quota requirement.

If a member jurisdiction chooses, and as long as four consecutive quarters are included in the audit period, it could match the audit period for an IFTA audit with the distance period of an IRP audit.

FOR VOTE BY DECEMBER 9, 2014



**IFTA SHORT TRACK FINAL BALLOT PROPOSAL
#05-2014**

Sponsor

IFTA Inc., Board of Trustees

Date Submitted

July 17, 2014

Proposed Effective Date

July 1, 2016

Manual Sections to be Amended

(January 1996 Version, Effective July 1, 1998, as revised)

IFTA Procedures Manual

P1300 UNITS OF MEASUREMENT

Subject

To establish a standard unit measure for LNG reporting and transmittal purposes between IFTA members.

History/Digest

In the United States two different methodologies exist to convert LNG from weight measures to volume measures:

- Straight weight - Where 1 gallon weighs 3.5 pounds
- Energy equivalent weight - Where 1 Diesel Gallon Equivalent (DGE) weighs 6.06 pounds

In the United States, retail stations want to use DGEs so the public can compare the costs of using LNG with diesel. Also in the United States the responsibility for administering measurement requirements has been delegated to the State level. To maintain uniformity, an organization called the National Conference on Weights and Measures (NCWM), establishes model law on a consensus basis. Individual States then choose whether to adopt the model law in whole or in part. Currently, twenty-one states have adopted the definition that a DGE of LNG weighs 6.06 pounds, and similar legislation is pending in one other state (1). In Canada, the Federal government determines the units of measure and is strongly opposed to energy equivalents. As a result, all provinces will be required to sell LNG in mass units of measure (e.g.,

kilograms). However, there is nothing limiting provinces from converting purchases in kilograms to diesel liter equivalents for IFTA tax reporting purposes.

(1) Alabama, California, Colorado, Florida, Georgia, Indiana, Kansas, Kentucky, Mississippi, Missouri, North Carolina, Nebraska, New Hampshire, New Mexico, Ohio, Oklahoma, South Carolina, Tennessee, Texas, Washington, and Wyoming, Source: Brett Barry, Public Policy and Regulatory Advisor, Clean Energy Fuels Corp. (November 2014).

Other IFTA standards already exist to ensure consistent reporting and distribution of taxes between IFTA members including distances (miles/kilometers), volumes (gallons/liters), and currency (US/CD). The tax rates and the units of measure a jurisdiction chooses for LNG are their responsibility. However, it is critical that IFTA has a standard LNG measure for reporting and transmittal purposes.

The following is intended to illustrate the need for a standard LNG measure:

- IFTA Tax Rate Matrices/Transmittal processes do not allow two different tax rates for any fuel.
- If a US Jurisdiction decides to sell and tax LNG in DGE with a tax rate of \$0.50 /DGE, when it uploads its LNG tax rate it must either:
 - Inform all jurisdictions that its tax rate is \$0.50/DGE so other jurisdictions can convert to their units as necessary; or
 - Convert to straight weight and inform all jurisdictions its tax rate is \$0.29 per gallon so other jurisdictions can convert to their units as necessary.
 - In either case, this could be done using the Footnotes in IFTA's Quarterly Tax Rates Table. However, it is impossible to correctly and consistently convert between straight gallons/liters and energy equivalent gallons/liters without standard conversion factors.
- IFTA reporting and transmittal between all jurisdictions will be much more efficient and accurate using a single or common LNG measure, and until that time it is almost impossible for IFTA jurisdictions to correctly display, collect or disburse LNG taxes.

The IFTA Board of Trustees and Dual Fuel Working Group believe for LNG the standard will be DGE in the United States. Although Canadian jurisdictions cannot sell fuel based on energy equivalents, the system programming required to convert to energy equivalents for IFTA reporting and transmittal purposes is easier than what is required for currency conversion.

The Dual Fuel Committee does not believe there are any issues with Compressed Natural Gas (CNG) since most sales appear to be based on the gasoline gallon equivalent where 126.67 cubic feet equals 1 gasoline gallon equivalent, as per IFTA Ballot 2013-3 which passed last year.

Intent

To establish a standard unit measure for LNG reporting and transmittal purposes between IFTA members.

Interlining Indicates Deletion; Underlining Indicates Addition

1 P1300 UNITS OF MEASUREMENT

2

3 P1320 FUELS NOT MEASURED IN LITERS OR GALLONS

4

5 ~~For reporting fuels that cannot be measured in liters or gallons (e.g., compressed natural gas), the licensee~~
6 ~~shall report the fuel in the units of measurement employed by the jurisdiction in which the fuel was used.~~

7

8 For IFTA reporting and transmittal purposes, the use of liquefied natural gas shall be reported in diesel
9 energy equivalent measures as follows:

10

11 .100 a diesel gallon equivalent in U.S. jurisdictions weighs 6.06 pounds, and

12

13 .200 a diesel liter equivalent in Canadian jurisdictions weighs 0.73 kilograms.

14

15

CHANGES FOLLOWING THE SECOND COMMENT PERIOD

* Format changes by adding a .100 and .200.

* Updated History re: Jurisdictions adopting the DGE definition

* Please Note - The ~~strikeout~~ language on Line 5-6, is shown to avoid potential confusion. It is the result of FT Ballot #03-2013, which passed last year but is not actually effective until July 1, 2015.

STPBP #5-2014
Second Comment Period Ending October 19, 2014

SUMMARY

24 Comments

Support: 19
Oppose: 1
Undecided: 4

ALABAMA

Support

ALBERTA

Undecided

Alberta supports the idea of a standard conversion factor. However, we are concerned that a new unit of measure, ie, diesel energy equivalent, will be used for reporting and transmittal purposes. If a standard conversion factor is established, can the diesel gallon equivalent or the diesel liter equivalent be converted to \$ per gallon, or \$ per litre ? Both US and Canadian carriers may be able to understand this unit of measure since it is in use right now. Alberta is currently looking into system costs if a new unit of measure is to be introduced in the IFTA reporting and transmittal process.

ARIZONA

Support

BRITISH COLUMBIA

Support

ILLINOIS

Support

IOWA

Support

KENTUCKY

Support

MANITOBA

Undecided

Manitoba agrees with the comments made by Alberta and Quebec.

MARYLAND

Support

MICHIGAN

Support

NEW BRUNSWICK

Support

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NEW MEXICO

Support

NORTH CAROLINA

Support

NOVA SCOTIA

Support

OKLAHOMA

Support

Oklahoma supports the ballot and agrees with Wisconsin's comments.

ONTARIO

Oppose

There is significant concern with introducing energy equivalence for measurement purposes when considering the Canadian government's stated position on weights and measures.

Additionally, despite the sponsor's assertion this reporting change will not require a lot of time or expense to administer, further analysis is required to determine the feasibility, actual system requirements and associated cost.

PRINCE EDWARD ISLAND

Support

QUEBEC

Undecided

Quebec agrees with Alberta's comment. We need a standard conversion, report in liters or gallons and decide what tax rate per liter or gallon. To support this ballot we need a standard conversion that both Canada and the US will use.

RHODE ISLAND

Support

SASKATCHEWAN

Support

VIRGINIA

Support

Virginia agrees that this is an important move for the IFTA membership to take. We ask that the sponsors give some consideration to tweaking the wording to ensure that it is clear that we would have one standard and that is the diesel energy equivalent. Perhaps something like the following would help to clarify.

For IFTA reporting and transmittal purposes, the use of liquefied natural gas shall be reported in diesel energy equivalent measures as follows:

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- a diesel gallon equivalent in U. S. jurisdictions weighs 6.06 pounds, and
- a diesel liter equivalent in Canadian jurisdictions weighs 0.73 kilograms.

WEST VIRGINIA

Undecided

LNG and CNG are chemically the same. This ballot would measure CNG in GGE, but measure LNG in DGE. There appears to be no reason for the inconsistency, except that the measure of CNG was passed in 2013.

WISCONSIN

Support

Allocation of motor fuel taxes among jurisdictions traveled in IFTA depends upon an MPG/KPL calculation. For distance, we have a conversion for units of measure between miles and kilometers. For gasoline, diesel, and CNG fuels, we have a conversion for units of measure between gallons and liters. We need an agreed-upon basis for the amount of LNG fuel consumed. This ballot provides that conversion basis. This ballot doesn't challenge the ability of a jurisdiction to charge a motor fuel tax on the volume or mass basis of its choosing. It does provide a necessary conversion method for accurate collection through other states and provinces in IFTA.

WYOMING

Support

**IFTA SHORT TRACK FINAL BALLOT PROPOSAL 5-2014
VOTING RESULTS**

| JURISDICTION | LANGUAGE | | EFFECTIVE DATE | |
|---------------------------------------|----------|----|----------------|----|
| | YES | NO | YES | NO |
| ALABAMA | 1 | | 1 | |
| ALBERTA | | 1 | | 1 |
| ARIZONA | 1 | | 1 | |
| ARKANSAS | 1 | | 1 | |
| BRITISH COLUMBIA | 1 | | 1 | |
| CALIFORNIA | 1 | | 1 | |
| COLORADO | 1 | | 1 | |
| <i>CONNECTICUT</i> | | | | |
| <i>DELAWARE</i> | | | | |
| FLORIDA | 1 | | 1 | |
| GEORGIA | 1 | | 1 | |
| IDAHO | 1 | | 1 | |
| ILLINOIS | 1 | | 1 | |
| <i>INDIANA</i> | | | | |
| <i>IOWA</i> | | | | |
| KANSAS | 1 | | 1 | |
| <i>KENTUCKY</i> | | | | |
| <i>LOUISIANA</i> | | | | |
| MAINE | 1 | | 1 | |
| MANITOBA | | 1 | | 1 |
| MARYLAND | 1 | | 1 | |
| MASSACHUSETTS | 1 | | 1 | |
| <i>MICHIGAN</i> | | | | |
| MINNESOTA | 1 | | 1 | |
| <i>MISSISSIPPI</i> | | | | |
| MISSOURI | 1 | | 1 | |
| <i>MONTANA</i> | | | | |
| NEBRASKA | 1 | | 1 | |
| NEVADA | 1 | | 1 | |
| NEW BRUNSWICK | | 1 | | 1 |
| <i>NEW HAMPSHIRE</i> | | | | |
| <i>NEW JERSEY - INELIGIBLE</i> | | | | |
| NEW MEXICO | 1 | | 1 | |
| NEW YORK | 1 | | 1 | |
| NEWFOUNDLAND | | 1 | | 1 |
| NORTH CAROLINA | 1 | | 1 | |
| <i>NORTH DAKOTA</i> | | | | |
| NOVA SCOTIA | 1 | | 1 | |
| <i>OHIO</i> | | | | |
| OKLAHOMA | 1 | | 1 | |
| ONTARIO | | 1 | | 1 |
| OREGON | 1 | | 1 | |
| <i>PENNSYLVANIA</i> | | | | |
| <i>PRINCE EDWARD ISLAND</i> | | | | |
| QUEBEC | | 1 | | 1 |
| RHODE ISLAND | 1 | | 1 | |
| SASKATCHEWAN | 1 | | 1 | |

**IFTA SHORT TRACK FINAL BALLOT PROPOSAL 5-2014
VOTING RESULTS**

| JURISDICTION | LANGUAGE | | EFFECTIVE DATE | |
|----------------------|-----------|----------|----------------|----------|
| | YES | NO | YES | NO |
| SOUTH CAROLINA | 1 | | 1 | |
| SOUTH DAKOTA | 1 | | 1 | |
| <i>TENNESSEE</i> | | | | |
| TEXAS | 1 | | 1 | |
| UTAH | 1 | | 1 | |
| VERMONT | 1 | | 1 | |
| VIRGINIA | 1 | | 1 | |
| WASHINGTON | | 1 | | 1 |
| <i>WEST VIRGINIA</i> | | | | |
| WISCONSIN | 1 | | 1 | |
| WYOMING | 1 | | 1 | |
| TOTALS | 34 | 7 | 34 | 7 |

Bold font in the voting total columns and shading indicate that the jurisdiction did not vote.

Failure to vote for the ballot language counts as a "No" vote.

Failure to vote for the alternative effective date counts as a "No" vote.

Number of "YES" votes necessary to pass: 44

Effective Date: January 1, 2013

LANGUAGE:

NUMBER OF "YES" VOTES RECEIVED: **34**

NUMBER OF "NO" VOTES RECEIVED: **7**

NUMBER OF VOTES NOT RECEIVED: **16**

RESULT: FAILED

ALTERNATIVE EFFECTIVE DATE:

NUMBER OF "YES" VOTES RECEIVED: **34**

NUMBER OF "NO" VOTES RECEIVED: **7**

NUMBER OF VOTES NOT RECEIVED: **16**

RESULT: FAILED

Ballot Intent:

The intent of this ballot is to establish a standard unit measure for LNG reporting and transmittal purposes between IFTA members.