Annual Audit Review Procedures

Audit Readiness · https://atsfleetmanagement.com/docs/annual-audit-review-procedures/

Description

Annual Audit Review Procedures represent the highest level of compliance review within an IFTA program. While monthly and quarterly reviews focus on identifying and correcting operational issues, the annual review evaluates the entire year's reporting activity to ensure complete audit readiness.

The annual review serves as a comprehensive compliance assessment covering mileage records, fuel purchases, filings, vehicle activity, exception reports, adjustments, and supporting documentation. The objective is to verify that all records necessary to support an audit are complete, accurate, organized, and readily accessible.

Carriers that perform annual reviews are significantly better prepared for audits and are more likely to identify recurring issues before they become costly compliance problems.

Why Annual Reviews Matter

Annual reviews help carriers:

- Improve audit readiness
- Verify record retention compliance
- Identify recurring compliance issues
- Validate annual reporting accuracy
- Reduce future audit risk
- Improve operational controls
- Strengthen documentation practices
- Prepare for potential audits

An annual review should be conducted after the completion of the fourth quarter and before the start of the next reporting year.

Goals of the Annual Audit Review

Every annual review should answer the following questions:

Mileage Review

- Was all fleet mileage reported?
- Were state allocations accurate?
- Were mileage discrepancies resolved?

Fuel Review

- Were all fuel purchases documented?
- Were fuel tax credits supported?
- Were duplicate transactions removed?

Filing Review

- Were all returns filed accurately?
- Were amendments properly documented?
- Were calculations supported?

Audit Readiness Review

- Is documentation complete?
- Are records organized?
- Is the company prepared for an audit?

Annual Mileage Review

Review all mileage activity for the year.

Verify

✔ Annual Fleet Mileage

✔ Vehicle Mileage Totals

✔ State Mileage Allocations

✔ ELD Data Completeness

✔ GPS Reporting

✔ Route Documentation

Investigate

- Mileage discrepancies
- Missing state mileage
- Odometer inconsistencies
- Unresolved mileage exceptions

Annual Fuel Review

Review all fuel purchases and reporting activity.

Verify

✔ Fuel Receipts

✔ OCR Transactions

✔ Fuel Card Reports

✔ Bulk Fuel Records

✔ Vehicle Fuel Assignments

✔ Annual Fuel Totals

Investigate

- Missing receipts
- Duplicate fuel transactions
- Fuel assignment errors
- Fuel reporting anomalies

Annual Filing Review

Review all quarterly filings.

Verify

✔ First Quarter Filing

✔ Second Quarter Filing

✔ Third Quarter Filing

✔ Fourth Quarter Filing

✔ Amended Returns

✔ Filing Confirmations

Confirm

- Calculations reconcile
- Credits are supported
- Amendments are documented

Adjustment Review

Review all adjustment activity for the year.

Verify

✔ Mileage Adjustments

✔ Fuel Adjustments

✔ Manual Corrections

✔ Vehicle Reassignments

Confirm

✔ Supporting Documentation

✔ Explanation Notes

✔ Calculation Support

✔ Correct Reporting Period

Exception Report Analysis

Review exception trends for the entire year.

Analyze

✔ Missing Mileage Exceptions

✔ Missing Fuel Exceptions

✔ High MPG Exceptions

✔ Low MPG Exceptions

✔ Duplicate Fuel Exceptions

✔ Missing State Mileage Exceptions

Identify

- Recurring problems

- Process weaknesses
- Training opportunities
- Compliance risks

Vehicle Documentation Review

Verify vehicle compliance records.

Review

✔ Vehicle Registrations

✔ VIN Records

✔ IRP Documentation

✔ Lease Agreements

✔ Vehicle Assignments

✔ Fleet Inventory Reports

Investigate

- Missing records
- Assignment discrepancies
- Inactive vehicle reporting

Audit Package Review

The annual review should include preparation of a complete audit package.

Audit Package Contents

✔ Quarterly Filings

✔ Mileage Reports

✔ Fuel Reports

✔ Fuel Receipts

✔ ELD Records

✔ GPS Reports

✔ Adjustment Documentation

✔ Vehicle Records

✔ Exception Reports

✔ Filing Confirmations

Common Issues Found During Annual Reviews

Missing Documentation

Records unavailable for historical periods.

Repeated Amendments

Frequent filing corrections.

Recurring Exceptions

Issues repeatedly appearing throughout the year.

Unsupported Adjustments

Missing support documentation.

Incomplete Fuel Records

Fuel purchases lacking receipts.

State Mileage Problems

Jurisdiction allocations not properly maintained.

Warning Signs

Recurring exceptions

Repeated amendments

Missing fuel receipts

Missing mileage

Unsupported adjustments

Missing vehicle records

Documentation gaps

Filing inconsistencies

Fleet Manager Responsibilities

Fleet managers should:

✔ Conduct annual reviews

✔ Verify record retention

✔ Analyze compliance trends

✔ Build audit packages

✔ Maintain historical records

✔ Document findings

How Advanced IFTA Helps

Advanced IFTA supports annual reviews through:

✔ Historical Reporting

✔ ELD Integration

✔ Fuel Reporting

✔ Mileage Reporting

✔ Mileage Calculator

✔ Adjustment Tracking

✔ Exception Reporting

✔ Audit Readiness Monitoring

✔ Compliance Analytics

✔ Filing History Management

Annual Audit Review Checklist

Before completing the review verify:

✔ Annual mileage reviewed

✔ Annual fuel reviewed

✔ Quarterly filings reviewed

✔ Adjustments documented

✔ Exception trends analyzed

✔ Vehicle records verified

✔ Audit package assembled

✔ Documentation retained

Recommended Actions

1. Conduct a formal annual audit review.
2. Review all four quarters together.
3. Analyze recurring compliance issues.
4. Verify record retention compliance.
5. Build a complete audit package.
6. Correct unresolved issues.
7. Retain records for at least four years.

Related Articles

- Monthly Audit Review Procedures
- Quarterly Audit Review Procedures
- Audit Readiness Checklist
- Building an Audit Package
- Audit Risk Indicators

Download Document ->