Understanding IFTA Audits

Audit Readiness · https://atsfleetmanagement.com/docs/understanding-ifta-audits/

Description

An International Fuel Tax Agreement (IFTA) audit is a formal review conducted by a base jurisdiction to verify that a motor carrier's reported mileage, fuel purchases, and fuel tax filings are accurate, complete, and supported by adequate documentation. While many carriers view audits as intimidating, they are a routine part of maintaining compliance within the trucking industry.

The primary purpose of an IFTA audit is to ensure that each jurisdiction receives its fair share of fuel tax revenue based on where vehicles actually operated. Auditors will compare reported mileage, fuel purchases, tax calculations, and supporting records to determine whether taxes were reported correctly.

An audit does not necessarily indicate wrongdoing. Many carriers are selected randomly, while others may be chosen due to rapid growth, unusual reporting patterns, filing inconsistencies, or previous audit findings.

Understanding how audits work allows carriers to proactively maintain records, resolve discrepancies before they become findings, and significantly reduce compliance risks.

Why IFTA Audits Occur

Motor carriers may be selected for audit for several reasons:

- Random audit selection
- New carrier compliance reviews
- Rapid fleet growth
- Unusual mileage patterns
- Consistently high fuel tax credits

- Repeated amended returns
- Missing or inconsistent filing data
- Prior audit findings
- Jurisdiction requests

In many cases, carriers are selected simply because they have never been audited before.

What Auditors Are Looking For

During an audit, auditors typically focus on four primary areas:

Mileage Accuracy

Auditors want to verify:

- Total fleet mileage
- State-by-state mileage
- Jurisdiction allocations
- Trip records
- Odometer consistency
- GPS and ELD records

Fuel Documentation

Auditors verify:

- Fuel receipts
- Fuel card transactions
- Bulk fuel purchases
- Bulk fuel withdrawals
- Fuel tax paid documentation

Tax Filings

Auditors review:

- Quarterly IFTA returns
- Amended returns
- Tax calculations
- Credit balances
- Filing history

Supporting Records

Auditors may request:

- Dispatch records
- Driver logs
- Vehicle registration documents
- Lease agreements
- Maintenance records
- Fuel invoices

Audit Types

Desk Audit

A desk audit is performed remotely. The auditor requests records electronically and reviews them without visiting your office.

Typically requested:

- Fuel receipts
- Mileage reports
- Quarterly filings
- Supporting documentation

Field Audit

A field audit occurs at your business location.

Auditors may review:

- Original records
- Internal procedures
- Vehicle files
- Fuel records
- Driver records

Field audits are generally more comprehensive than desk audits.

Audit Time Periods

Auditors commonly review:

- The previous four quarters
- Multiple years of records
- Specific periods with unusual activity

Most jurisdictions require records to be retained for at least four years.

Carriers should always maintain complete documentation regardless of filing age.

Common Audit Findings

The most common audit findings include:

Missing Fuel Receipts

Fuel purchases cannot always be validated.

Missing Mileage

Trips are not fully documented.

Inadequate Distance Records

Mileage cannot be verified.

Unsupported Adjustments

Changes lack supporting documentation.

Duplicate Fuel Transactions

Fuel purchases reported multiple times.

Missing Jurisdiction Mileage

State allocations cannot be verified.

Fuel Purchase Errors

Incorrect gallons or dates reported.

Financial Consequences of Audit Findings

Audit findings can result in:

- Additional fuel tax assessments
- Interest charges
- Monetary penalties
- Loss of fuel tax credits
- Increased audit frequency
- Compliance monitoring

For larger fleets, audit assessments can easily reach thousands or even tens of thousands of dollars.

Records Every Carrier Should Maintain

At a minimum, carriers should retain:

Mileage Records

- ELD trip data
- GPS records
- Mileage summaries

- Route reports
- Odometer readings

Fuel Records

- Fuel receipts
- Fuel card reports
- Bulk fuel logs
- Fuel purchase summaries

Compliance Records

- IFTA filings
- Amendments
- Exception Reports
- Audit documentation

Vehicle Records

- Registrations
- VIN information
- Lease agreements
- Fleet inventories

How Advanced IFTA Helps During an Audit

Advanced IFTA provides tools specifically designed to support audit readiness.

These include:

✔ ELD Mileage Integration

✔ State Mileage Reporting

✔ Fuel Receipt Management

✔ OCR Fuel Capture

✔ Mileage Calculator

✔ Adjustment Tracking

✔ Exception Reporting

✔ Audit Readiness Monitoring

✔ Compliance Documentation

✔ Filing History Management

Audit Readiness Best Practices

To reduce audit risk:

- Review Exception Reports monthly.
- Upload fuel receipts immediately.
- Verify ELD imports regularly.
- Investigate MPG variances.
- Maintain supporting documentation.
- Review filings before submission.
- Resolve exceptions before quarter-end.
- Maintain records for at least four years.

Warning Signs That Increase Audit Risk

The following issues often attract auditor attention:

Missing fuel receipts

Missing mileage

High MPG exceptions

Low MPG exceptions

Unsupported adjustments

Repeated amended returns

Large fuel tax credits

Incomplete documentation

Missing jurisdiction mileage

Duplicate transactions

Recommended Actions

1. Review all mileage and fuel records monthly.
2. Upload and retain fuel receipts.
3. Investigate all Exception Reports.
4. Maintain adjustment documentation.
5. Store audit records electronically.
6. Conduct quarterly compliance reviews.
7. Build and maintain a complete audit package.

Related Articles

- What Auditors Look For
- Audit Readiness Checklist
- Required Mileage Documentation
- Required Fuel Documentation
- Common IFTA Audit Findings

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