Unsupported Adjustments and Audit Risk

Audit Readiness · https://atsfleetmanagement.com/docs/unsupported-adjustments-and-audit-risk/

Description

Unsupported adjustments are one of the most frequently cited findings during IFTA audits. Adjustments are often necessary to correct missing mileage, add fuel transactions, account for ELD failures, or resolve reporting discrepancies. However, when adjustments cannot be supported by documentation, auditors may reject the adjustment and recalculate tax liabilities.

Every adjustment entered into the Advanced IFTA system should have a clear explanation, supporting documentation, and a defensible business reason. Carriers that fail to document adjustments properly face increased audit risk and may be subject to additional taxes, penalties, and interest.

Why Adjustments Matter

Adjustments directly affect:

- Total fleet mileage
- State mileage allocations
- Fuel totals
- MPG calculations
- Tax liabilities
- Quarterly IFTA filings
- Audit outcomes

Because adjustments modify reported data, auditors pay special attention to them during reviews.

What Auditors Expect to See

For every adjustment, auditors typically expect:

Adjustment Explanation

- Why was the adjustment made?
- What problem was being corrected?
- Who made the adjustment?

Supporting Documentation

- Fuel receipts
- Mileage reports
- Route calculations
- ELD records
- GPS records
- Dispatch records

Calculation Support

- How was the adjustment calculated?
- Can the calculation be reproduced?

Common Unsupported Adjustments

Mileage Adjustments Without Documentation

Additional mileage added without route calculations or trip records.

Fuel Adjustments Without Receipts

Fuel purchases added without supporting receipts.

Manual Corrections Without Notes

Changes made without documenting the reason.

Amended Transactions Without Support

Corrections lacking source documentation.

Vehicle Assignment Changes

Trips or fuel moved between vehicles without explanation.

How Unsupported Adjustments Impact an Audit

Adjustments May Be Rejected

Auditors may remove unsupported adjustments from calculations.

Tax Liability May Increase

Rejected adjustments can increase taxes owed.

Credits May Be Disallowed

Fuel tax credits may be removed.

Penalties May Apply

Additional penalties may be assessed.

Audit Risk Increases

Large volumes of unsupported adjustments often trigger additional scrutiny.

Required Documentation for Every Adjustment

Maintain:

✔ Adjustment Explanation

✔ Supporting Receipts

✔ Route Documentation

✔ Mileage Calculator Reports

✔ ELD Records

✔ GPS Records

✔ Audit Notes

✔ Date of Adjustment

✔ User Who Made the Change

High-Risk Adjustment Scenarios

The following situations frequently attract auditor attention:

Large mileage additions

Large fuel corrections

Multiple adjustments near quarter-end

Frequent manual corrections

Unsupported route calculations

Missing adjustment notes

Missing supporting documents

Best Practices

Document Immediately

Create notes when the adjustment is entered.

Attach Supporting Records

Upload receipts, route maps, and supporting documents.

Retain Route Calculations

Keep Mileage Calculator results and trip documentation.

Review Adjustments Monthly

Verify accuracy before filing deadlines.

Audit Adjustment Activity

Review unusual or recurring corrections.

Driver Responsibilities

Drivers should:

✔ Report missing trips

✔ Submit fuel receipts

✔ Document unusual routes

✔ Report ELD failures promptly

Fleet Manager Responsibilities

Fleet managers should:

✔ Review adjustments regularly

✔ Verify supporting documentation

✔ Monitor exception reports

✔ Investigate unusual corrections

✔ Maintain audit records

Warning Signs of Adjustment Problems

Repeated manual corrections

Missing adjustment notes

Unsupported mileage additions

Unsupported fuel purchases

Large end-of-quarter adjustments

Unresolved exceptions

Missing route documentation

How Advanced IFTA Helps

Advanced IFTA provides:

✔ Adjustment Tracking

✔ Mileage Calculator Documentation

✔ ELD Integration

✔ Fuel Receipt Storage

✔ Exception Reporting

✔ Historical Audit Records

✔ Audit Readiness Monitoring

✔ Filing Documentation Storage

Monthly Adjustment Audit Checklist

Before month-end verify:

✔ All adjustments documented

✔ Supporting files attached

✔ Mileage calculations retained

✔ Fuel receipts available

✔ Exception reports reviewed

✔ Unusual corrections investigated

✔ Audit notes completed

Recommended Actions

1. Document every adjustment immediately.
2. Attach supporting records.
3. Retain route calculations.
4. Review adjustment history monthly.
5. Investigate recurring corrections.
6. Resolve related exceptions.
7. Retain records for at least four years.

Related Articles

- Missing Mileage and Audit Risk
- Required Mileage Documentation

- Required Fuel Documentation
- Common IFTA Audit Findings
- Audit Readiness Checklist

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