Using Exception Reports to Reduce Audit Risk

Audit Readiness · https://atsfleetmanagement.com/docs/using-exception-reports-to-reduce-audit-risk/

Description

Exception Reports are one of the most valuable compliance and audit readiness tools available within the Advanced IFTA platform. While many carriers only review reports at quarter-end, proactive carriers use Exception Reports throughout the quarter to identify, investigate, and resolve issues before they impact filings or become audit findings.

Exception Reports are designed to highlight unusual conditions, missing records, reporting inconsistencies, and operational anomalies that may indicate incomplete or inaccurate data. By addressing these issues early, carriers can improve filing accuracy, strengthen audit readiness, and significantly reduce compliance risk.

In many cases, Exception Reports identify problems months before an auditor would discover them.

Why Exception Reports Matter

Exception Reports help carriers:

- Identify compliance issues early
- Detect missing mileage
- Detect missing fuel purchases
- Identify duplicate transactions
- Improve MPG accuracy
- Verify state mileage allocations
- Reduce audit findings

- Improve filing accuracy

Carriers that regularly review Exception Reports often discover and correct issues before quarterly filings are submitted.

What Auditors Look For

Auditors frequently review reporting consistency.

They look for:

Missing Records

- Missing mileage
- Missing fuel purchases
- Missing receipts
- Missing state allocations

Reporting Anomalies

- High MPG values
- Low MPG values
- Duplicate fuel purchases
- Vehicle reporting inconsistencies

Data Integrity

- Unsupported adjustments
- Missing documentation
- Unusual tax credits
- Filing discrepancies

Exception Reports help identify all of these issues before an audit occurs.

Common Exception Reports

Missing Mileage Exceptions

Identify:

- Trips not imported
- Incomplete route records
- Missing ELD data
- Missing state allocations

Why They Matter

Missing mileage is one of the most common audit findings.

Recommended Action

Investigate immediately and document corrections.

Missing Fuel Exceptions

Identify:

- Fuel purchases not recorded
- Missing receipts
- Fuel card import failures
- Fuel reporting gaps

Why They Matter

Missing fuel documentation can result in disallowed tax credits.

Recommended Action

Reconcile fuel purchases and upload supporting receipts.

High MPG Exceptions

Identify:

- Unusually high fuel efficiency
- Missing mileage
- Duplicate fuel purchases
- Incorrect vehicle assignments

Why They Matter

High MPG values frequently indicate reporting errors.

Recommended Action

Review fuel and mileage records.

Low MPG Exceptions

Identify:

- Missing fuel purchases
- Excess mileage
- Duplicate mileage
- Incorrect fuel assignments

Why They Matter

Low MPG values often indicate incomplete fuel records.

Recommended Action

Investigate fuel transactions and vehicle activity.

Duplicate Fuel Transaction Exceptions

Identify:

- Duplicate OCR uploads
- Duplicate fuel card imports
- Manual entry duplicates

Why They Matter

Duplicate transactions inflate fuel tax credits.

Recommended Action

Remove duplicate records and reconcile reports.

Missing State Mileage Exceptions

Identify:

- Missing jurisdiction allocations
- Border crossing issues
- GPS failures
- Route discrepancies

Why They Matter

State mileage directly impacts tax allocation.

Recommended Action

Verify route calculations and state reports.

How Exception Reports Reduce Audit Risk

Exception Reports provide early warning indicators for:

✔ Missing documentation

✔ Reporting discrepancies

✔ Filing inconsistencies

✔ Data quality issues

✔ Vehicle assignment problems

✔ Fuel reporting problems

By resolving exceptions before filing, carriers reduce the likelihood of audit findings.

Monthly Exception Review Process

Step 1: Generate Reports

Review:

- Missing Mileage
- Missing Fuel
- High MPG
- Low MPG
- Duplicate Fuel
- State Mileage

Step 2: Investigate Issues

Determine:

- Root cause
- Impact
- Required correction

Step 3: Document Findings

Maintain:

- Notes

- Supporting records
- Corrective actions

Step 4: Resolve Issues

Correct:

- Mileage records
- Fuel transactions
- Vehicle assignments
- Documentation gaps

Step 5: Verify Resolution

Confirm exceptions no longer appear on future reports.

Fleet Manager Responsibilities

Fleet managers should:

✔ Review Exception Reports monthly

✔ Investigate unresolved issues

✔ Verify corrective actions

✔ Monitor recurring exceptions

✔ Maintain supporting documentation

Driver Responsibilities

Drivers should:

✔ Submit fuel receipts promptly

✔ Report ELD failures

✔ Verify vehicle assignments

✔ Report unusual mileage discrepancies

✔ Assist with route verification when necessary

Warning Signs

The following conditions indicate elevated audit risk:

Large numbers of unresolved exceptions

Repeated Missing Fuel Exceptions

Repeated Missing Mileage Exceptions

High MPG anomalies

Low MPG anomalies

Duplicate fuel transactions

Missing jurisdiction mileage

Unresolved reporting discrepancies

How Advanced IFTA Helps

Advanced IFTA includes:

✔ Automated Exception Reporting

✔ ELD Integration

✔ OCR Fuel Receipt Capture

✔ Mileage Calculator

✔ Adjustment Tracking

✔ Fuel Reporting

✔ Audit Readiness Monitoring

✔ Historical Reporting

✔ Compliance Analytics

Monthly Exception Report Audit Checklist

Before month-end verify:

✔ Exception Reports generated

✔ Missing Mileage reviewed

✔ Missing Fuel reviewed

✔ MPG exceptions reviewed

✔ Duplicate transactions investigated

✔ State mileage verified

✔ Corrective actions documented

✔ Reports retained for audit purposes

Recommended Actions

1. Review Exception Reports every month.
2. Investigate all unresolved exceptions.
3. Correct reporting issues immediately.
4. Maintain documentation supporting corrections.
5. Monitor recurring exceptions.
6. Resolve issues before quarterly filing.
7. Retain reports for at least four years.

Related Articles

- Common IFTA Audit Findings
- Missing Fuel Receipts and Audit Risk
- Missing Mileage and Audit Risk
- Unsupported Adjustments and Audit Risk
- Missing State Mileage and Audit Risk

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