What Auditors Look For

Audit Readiness · https://atsfleetmanagement.com/docs/what-auditors-look-for/

Description

One of the most common misconceptions among motor carriers is that auditors only review quarterly IFTA returns. In reality, an IFTA audit is a comprehensive review of the records used to create those returns. Auditors are primarily interested in verifying that the mileage traveled, fuel purchased, and taxes reported can be fully supported by documentation.

The goal of an auditor is not to find mistakes, but to verify the accuracy and completeness of a carrier's records. If records are complete, organized, and properly maintained, the audit process is generally straightforward. However, missing documentation, unexplained adjustments, or inconsistent reporting can significantly increase the likelihood of additional taxes, penalties, and interest assessments.

Understanding exactly what auditors review allows carriers to proactively prepare documentation and identify potential compliance issues before an audit occurs.

Primary Areas Reviewed During an Audit

Most IFTA audits focus on four major areas:

Mileage Records

Fuel Records

Tax Filings

Supporting Documentation

Each area must support and validate the information reported on quarterly IFTA returns.

Mileage Records Review

Mileage documentation is one of the most heavily scrutinized areas of any IFTA audit.

Auditors will attempt to verify:

- Total fleet mileage
- Taxable mileage
- Non-taxable mileage
- State-by-state mileage
- Trip records
- Odometer readings
- Vehicle activity

Mileage Records Commonly Requested

Auditors may request:

✔ ELD Trip Reports

✔ GPS History

✔ Mileage Summaries

✔ Vehicle Movement Reports

✔ Dispatch Records

✔ Driver Logs

✔ Trip Sheets

✔ Route Documentation

Why Mileage Is Important

Every mile reported on an IFTA return must be supported by records showing:

- Where the vehicle traveled
- When the vehicle traveled
- How many miles were traveled
- Which jurisdiction received those miles

Missing mileage records often result in estimated assessments.

Fuel Records Review

Fuel purchases directly affect fuel tax credits claimed on IFTA returns.

Auditors review fuel records to verify:

- Fuel was purchased
- Fuel taxes were paid
- Fuel purchases were assigned correctly
- Fuel quantities are accurate

Fuel Records Commonly Requested

✔ Fuel Receipts

✔ Fuel Card Reports

✔ Bulk Fuel Purchase Invoices

✔ Bulk Fuel Withdrawal Logs

✔ Fuel Tax Documentation

✔ Driver Fuel Reports

Information Auditors Verify

For each fuel purchase:

- Purchase Date
- Purchase Location
- State
- Gallons Purchased
- Fuel Type
- Total Purchase Amount
- Vendor Information

Missing fuel receipts are one of the most common audit findings.

Tax Filing Review

Auditors compare reported data against supporting records.

They review:

- Quarterly IFTA Returns
- Tax Calculations
- Credit Balances
- Tax Liabilities
- Amended Returns
- Filing History

Filing Areas Commonly Examined

✔ State Mileage Totals

✔ Fuel Totals

✔ Tax Calculations

✔ Carryover Credits

✔ Adjustments

✔ Amendments

Auditors will verify that every figure reported on a return can be traced back to supporting records.

Vehicle Records Review

Auditors often verify that all reported vehicles were properly registered and included within the fleet.

Vehicle Records Commonly Requested

✔ Vehicle Registration

✔ VIN Information

✔ Unit Numbers

✔ Lease Agreements

✔ Ownership Records

✔ IRP Documentation

What Auditors Verify

- Vehicle ownership
- Registration status
- Vehicle assignments
- Reporting inclusion

Missing vehicles can create significant reporting discrepancies.

Driver Records Review

Although driver records are not the primary focus of an IFTA audit, they may be reviewed when supporting mileage verification.

Driver Records Commonly Requested

✔ Driver Logs

✔ Duty Status Records

✔ Driver Assignment Records

✔ Trip Documentation

✔ Dispatch History

Purpose of Driver Records

Driver records help verify:

- Trip legitimacy
- Vehicle movement
- Route accuracy
- Mileage allocations

ELD Records Review

Modern audits increasingly rely on ELD data.

ELD Information Auditors Review

✔ Trip History

✔ GPS Locations

✔ Vehicle Movement

✔ Driver Assignments

✔ Route Records

Why ELD Data Matters

ELD records often provide the strongest evidence supporting:

- Mileage calculations
- State allocations
- Vehicle activity

Carriers using ELD-integrated systems generally have fewer mileage-related audit findings.

Adjustment Review

Adjustments are one of the most common areas of audit concern.

Auditors frequently review:

- Mileage Adjustments
- Fuel Adjustments
- Manual Corrections
- Amended Transactions

What Auditors Expect

Every adjustment should include:

✔ Reason for Adjustment

✔ Supporting Documentation

✔ Explanation Notes

✔ Source Records

Unsupported adjustments often result in audit findings.

Exception Report Review

Exception Reports can provide valuable insight into compliance issues.

Auditors may review:

- Missing Mileage Exceptions
- Missing Fuel Exceptions
- High MPG Exceptions
- Low MPG Exceptions
- Variance Reports

Why Exception Reports Matter

Exception Reports help demonstrate that the carrier actively monitors compliance and resolves issues proactively.

Bulk Fuel Review

Carriers maintaining bulk fuel facilities face additional audit scrutiny.

Bulk Fuel Records Commonly Requested

✔ Fuel Purchase Invoices

✔ Tank Inventory Reports

✔ Withdrawal Logs

✔ Vehicle Assignments

Auditor Concerns

- Fuel not properly allocated
- Missing withdrawal records
- Unsupported tax credits

Documentation Retention Review

Auditors often verify that records have been maintained for the required retention period.

Recommended Retention Period

Maintain records for at least:

✔ Four Years

Records That Should Be Retained

- Fuel Receipts
- Mileage Reports
- Tax Filings
- ELD Records
- Adjustment Documentation
- Vehicle Records

Common Red Flags Auditors Notice

The following issues often trigger additional scrutiny:

Missing Fuel Receipts

Missing Mileage

Large Fuel Tax Credits

Repeated Amendments

Unsupported Adjustments

Duplicate Transactions

Missing Jurisdiction Mileage

High MPG Variances

Low MPG Variances

Incomplete Documentation

How Advanced IFTA Helps

Advanced IFTA provides tools specifically designed to address the areas auditors review most often.

Audit Support Features

✔ ELD Mileage Integration

✔ Fuel Receipt Management

✔ OCR Fuel Capture

✔ Mileage Calculator

✔ Adjustment Tracking

✔ Exception Reporting

✔ Audit Readiness Monitoring

✔ Filing Documentation Storage

✔ Vehicle Compliance Tracking

Best Practices

To prepare for an audit:

- Review Exception Reports monthly.
- Upload fuel receipts immediately.
- Verify mileage imports regularly.
- Maintain supporting documentation.
- Document all adjustments.

- Reconcile fuel purchases quarterly.
- Maintain organized electronic records.

Recommended Actions

1. Review mileage records monthly.
2. Verify fuel documentation.
3. Investigate unresolved exceptions.
4. Maintain adjustment support documentation.
5. Retain all records for at least four years.
6. Conduct quarterly audit readiness reviews.
7. Build and maintain an audit package throughout the year.

Related Articles

- Understanding IFTA Audits
- Audit Readiness Checklist
- Required Mileage Documentation
- Required Fuel Documentation
- Common IFTA Audit Findings

Tags

- Audit Readiness
- IFTA Audit
- Compliance
- Fuel Reporting
- Mileage Reporting
- Audit Documentation

- ELD Integration
- Exception Reports
- Fleet Compliance
- Advanced IFTA

This article should be one of the cornerstone pieces of your Audit Readiness category because it explains exactly what auditors examine and why maintaining complete records is critical.

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