

IFTA Exceptions That Can Lead to Audit Exposure

How Motor Carriers Can Reduce Risk, Strengthen Records, and Prevent Costly Adjustments

Professional Guidance for IFTA Licensees

This document explains the most common IFTA recordkeeping and reporting exceptions that can create audit exposure, tax adjustments, denied fuel credits, and filing delays. It is designed as a practical carrier handout for management, safety, dispatch, accounting, and compliance teams.

Under the IFTA framework, the burden of proof rests with the licensee. In other words, the carrier must be able to support the miles reported, the fuel claimed, and the methods used to prepare the return.

Executive Summary

IFTA audits do not become difficult solely because a return shows tax due. They become difficult when the carrier cannot fully support the return with reliable distance records, valid fuel documentation, and reconcilable fleet summaries. The most serious audit problems typically arise from incomplete trip records, invalid or altered fuel receipts, missing vehicle assignments, poor bulk fuel controls, inconsistent cutoff procedures, and weak internal controls.

Most significant carrier risks:

Risk Area	Why It Matters	How to Stop It
Distance records	Trip support is the foundation of jurisdictional reporting.	Require complete trip detail or compliant GPS/telematics data for every qualified vehicle.
Fuel documentation	Invalid receipts can cause denial of tax-paid credit.	Require complete retail receipts, proper vehicle assignment, and receipt image retention.
Summaries and reconciliation	Auditors compare source records, summaries, and returns.	Reconcile vehicle totals, jurisdiction totals, and quarter totals before filing.
Internal controls	Weak processes increase error rates and audit adjustments.	Use written procedures, exception reports, reviewer sign-off, and periodic spot checks.

1. Why Carriers Face Audit Exposure

IFTA member jurisdictions are required to perform audits and records reviews as part of the IFTA compliance framework.

A carrier can be selected even when returns are filed on time. Selection may occur as part of normal audit coverage, low-distance or high-distance account selection, records review activity, or because the carrier's records present unexplained weaknesses or unusual trends.

In practice, the carriers with the highest exposure are those whose records cannot be quickly tied together from source documents to monthly summaries to the filed return.

2. Core Exceptions That Create Audit Risk

A. Incomplete Distance Records

Missing trip dates, origin and destination, route of travel, beginning and ending odometer, trip totals, jurisdictional miles, or vehicle identification are among the most common and most serious exceptions. If a carrier uses a vehicle-tracking system, the data must still meet IFTA's required elements and be accessible in an acceptable electronic format.

- Adopt a standard trip record requirement for every qualified vehicle.
- Require dispatch, drivers, and back-office staff to correct missing trip data before the quarter is closed.
- Retain trip data in a usable spreadsheet or system export format, not just static images or screenshots.

B. Invalid, Altered, Illegible, or Unassigned Fuel Receipts

Fuel tax-paid credit is frequently challenged when receipts are altered, unreadable, missing required data elements, assigned to the wrong vehicle, or cannot be tied to a qualified motor vehicle. Duplicate fuel purchases and fuel attributed to non-qualified units also create immediate audit concern.

- Require every receipt to include date, seller, quantity, fuel type, price or total purchase amount, vehicle identification, and purchaser identification.
- Block tax-paid credit when the receipt is incomplete until the record is corrected or validated.
- Use duplicate detection and card transaction matching before the return is finalized.

C. Weak Bulk Fuel Controls

Bulk fuel can become a major audit issue when the carrier cannot prove tax paid at delivery, maintain inventory reconciliations, identify tank capacity, or document withdrawals by vehicle and location. Weak bulk controls often lead to disallowed credits or fuel adjustments.

- Maintain delivery receipts, quarterly inventory reconciliations, tank capacity records, and withdrawal logs for every bulk location.
- Require each withdrawal to identify the vehicle, date, quantity, and location.
- Separate dyed, exempt, non-qualified, and qualified vehicle usage where applicable.

D. Missing Monthly Fleet Summaries and Reconciliation Failures

Even when source records exist, the audit becomes more difficult when monthly or quarterly summaries are incomplete or do not tie to the return. A carrier should be able to reconcile total fleet miles, miles by jurisdiction, gallons by vehicle, gallons by jurisdiction, and total fuel credits claimed.

- Prepare a monthly summary for each quarter showing vehicle and jurisdiction totals.
- Reconcile the monthly summaries to the quarterly return before filing.
- Investigate and document every unexplained difference before the return is submitted.

E. Unreported Distance, Misallocated Jurisdiction Miles, or Unsupported Routing

Audit exposure increases when miles are omitted, routes are not supportable, or jurisdiction totals do not align with operations. If unreported distance is discovered and the auditor cannot determine where it occurred, the distance may be allocated using a rational and unbiased method determined in the audit.

- Use route validation, mapping, or telematics review for unusual trips.
- Investigate states or provinces with miles but no operational support, and fuel without route support.
- Review border crossings, deadhead miles, personal use, and non-taxable movements consistently.

F. Vehicle-Level Data Problems

A return may appear reasonable at the fleet level while hiding major problems at the vehicle level. Examples include impossible MPG, fuel assigned to inactive units, miles posted to the wrong truck, or missing vehicle master data.

- Validate every fuel purchase and trip against an active qualified vehicle list.
- Flag extreme vehicle MPG, inactive unit activity, tank-capacity outliers, and fuel purchases with no corresponding operations.
- Require corrections before filing rather than after an exception is discovered in audit.

G. Inconsistent Quarter Cutoff Procedures

Carriers sometimes post fuel in one quarter and the related miles in another, or use different cutoff logic for miles and fuel. IFTA allows slight deviation from calendar-quarter reporting only when a consistent cut-off procedure is used and the records remain reconcilable through audit.

- Use one documented cutoff rule for both distance and fuel.
- Apply the rule consistently every quarter.
- Review late-posted transactions at quarter close and document how they were handled.

H. Weak Internal Controls and Lack of Management Review

Auditors evaluate internal controls, not just individual receipts and trips. When there is no defined process for gathering source documents, reviewing exceptions, approving adjustments, and reconciling summaries to returns, the carrier's risk profile increases substantially.

- Establish written procedures for trip capture, fuel capture, coding, review, and return preparation.
- Assign ownership for data entry, review, approval, and correction.
- Maintain evidence of management review and exception resolution.

3. What Can Happen When Records Are Inadequate

When fleet records are inadequate, or when no records are produced after a written demand, IFTA procedures authorize significant audit consequences. These can include denial of tax-paid fuel credit, adjustments to reported fuel consumption, and additional assessments.

Under the current IFTA manuals, inadequate records can result in a reduced fuel-consumption factor, a reduction to 4.00 MPG (or 1.70 KPL) in certain circumstances, or a 20 percent adjustment depending on the applicable rule and the facts of the audit.

These outcomes are expensive, time-consuming, and avoidable. The best defense is not argument after the fact. It is disciplined recordkeeping before the return is filed.

4. Carrier Audit Prevention Checklist

Control	Minimum Standard
Qualified vehicle list	Maintain an up-to-date list of all qualified vehicles, fuel types, unit numbers, plates, and ownership/lease status.
Trip capture	Require complete trip records or compliant telematics data for every trip and every qualified vehicle.
Fuel capture	Require image retention and indexing of every retail receipt and every bulk withdrawal record.
Monthly close	Close each month with fleet and jurisdiction

Control	Minimum Standard
	reconciliation, not only at quarter-end.
Exception review	Review MPG outliers, duplicate fuel, missing state codes, missing odometer, and miles-with-no-fuel exceptions before filing.
Quarter filing review	Tie summaries to the filed return and retain evidence of reviewer approval.
Training	Train drivers, dispatch, accounting, and compliance staff on what records must be captured and why.
Document retention	Retain fuel and distance records for the required retention period and keep them readily available for audit.

5. Warning Signs That Should Be Addressed Before Filing

- Miles reported in a jurisdiction with no supporting route activity.
- Fuel purchased in a jurisdiction where no qualified vehicle activity exists.
- Vehicles showing extremely low or extremely high MPG compared with the fleet and with their own history.
- Duplicate purchase dates, quantities, vendors, or card transactions.
- Vehicle miles and jurisdiction miles that do not reconcile to fleet totals.
- Fuel receipts missing vehicle numbers, fuel type, seller information, or quantity.
- Bulk withdrawals that cannot be tied to a qualified vehicle.
- Quarter-end transactions posted inconsistently between mileage and fuel.
- Trips with negative or zero odometer changes, or implausible total trip miles.
- Large credits or large tax due positions with no operational explanation.

6. Recommended Carrier Policy

Every motor carrier should adopt a written IFTA recordkeeping policy that defines required source documents, internal review steps, approval authority, correction procedures, and retention standards.

The most effective carriers do not wait for an audit notice to test their records. They run exception reporting every month, resolve gaps before quarter close, and maintain clear support from source document to summary to filed return.

A strong IFTA process protects cash flow, reduces audit disruption, improves filing accuracy, and strengthens the carrier's credibility with regulators.

Source Framework

This guidance is based primarily on the current IFTA governing documents, including the 2026 IFTA Procedures Manual and the 2026 IFTA Audit Manual, with emphasis on record retention, adequacy of records, distance records, fuel records, summaries, inadequate-record assessments, internal controls, sampling, unreported distance, and audit adjustments.