



IRP Recordkeeping Requirements & Common Audit Issues

**Michele Deering-Volz, IRP Audit Supervisor
California Department of Motor Vehicles**

Most Common Audit Issues

- ▶ **Failure to Respond to Request for Records**
- ▶ **Records Provided for Audit are Inadequate**

Lack of summaries, missing source documents, or insufficient information on source documents

IRP Section 1000(a) and CVC Section 8057(a), states in part:

“...Registrant shall retain the Records on which the Registrant’s application for apportioned registration is based for a period of three years following the close of the Registration year to which the application pertains...”

Most Common Audit Issues (cont.)

If the Registrant fails or refuses to make Records available for audit, or if the Records made available are, as a whole, so inadequate that they cannot be audited, the Base Jurisdiction shall impose the assessment described (IRP Section 1015).

- 1st Occurrence - 20% of registration fees paid
- 2nd Occurrence - 50% of registration fees paid
- 3rd Occurrence - 100% of registration fees paid

IRP Recordkeeping Requirements

IRP Section 1005(a), Adequacy of Records, states:

“The Records maintained by a Registrant under Section 1000 shall be adequate to enable the Base Jurisdiction to verify the distances reported in the Registrant’s application for apportioned registration and to evaluate the accuracy of the Registrant’s distance accounting system for its Fleet”.

IRP Recordkeeping Requirements

Adequacy Defined

If records made available are *sufficient* and *appropriate* to (1) verify the distances a Registrant has reported on its application, and (2) evaluate the Registrant's distance accounting system, they are deemed adequate.

Sufficient – There must be enough records to cover the Fleet's operation.

Appropriate – The records contain the type of information the Auditor needs to audit for purposes of the Plan.

Audit Objectives

- Verify all distance is recorded and reported
- Verify reported distance is accurately allocated to the proper jurisdictions
- Verify all vehicles traveled interstate to qualify for apportioned registration
- Verify the reported vehicle cost and purchase date

Are the records provided sufficient and appropriate for these objectives?

IRP Recordkeeping Requirements

Summaries

- ▶ Monthly and Quarterly summaries of the Fleet's operation broken down by **Vehicle** and by **Jurisdiction**. (IRP Section 1010c)
- ▶ Yearly recap of the Fleet's operation by Jurisdiction

IFTA Quarterly Returns are not broken down by vehicle, and are therefore, not acceptable for audit purposes.

IRP Recordkeeping Requirements

Source Documents

IRP Section 1010, Contents of Records, states in part:

“Records containing the following elements shall be accepted by the Base Jurisdiction as adequate...:

- (i) the beginning and ending dates of the trip
- (ii) the origin and destination of the trip
- (iii) the route of travel

IRP Recordkeeping Requirements

Source Documents (cont.)

- (iv) the beginning and ending reading from the odometer, hubodometer, engine control module (ECM), or any similar device for the trip
- (v) the total distance of the trip
- (vi) the distance traveled in each Jurisdiction
- (vii) the Vehicle identification number or Vehicle unit number...”

IRP Recordkeeping Requirements

Odometer Readings

- ▶ California requires the recording of odometer or hubodometer readings. To ensure continuity of the odometer or hubodometer readings, the beginning reading of a trip must match the ending reading of the previous trip.

Other Common Audit Issues

Missing Summaries

Source documents submitted without the required summaries are considered inadequate and an assessment will be issued.

Summaries do not agree with Schedule B

The inconsistency could be caused by not using the summaries to report distance on Schedule B, addition errors, or posting distance to the wrong jurisdictions.

Non-Appportioned Distance Included

Distance is included before the vehicle is added to, or after vehicle is deleted from the fleet.

Other Common Audit Issues

Source Documents not Summarized in the Same Month

Trips posted to month in which paperwork is processed, instead of the month distance was accrued. Not critical if within same reporting period.

Posting Errors

Calculation errors, errors in transferring distance from source documents to summaries, incorrect odometer reading used to calculate distance, errors in summarizing distance.

Other Common Audit Issues

Lack of Information on Source Documents

Insufficient information to test recorded distance, i.e. lack of origination and destination cities or route of travel.

Unreported Local or Intrastate Movement

Accountable distance includes all local, intrastate, and deadhead distance accrued by all apportioned vehicles.

Unrecorded miles per odometer readings

Gaps in odometer readings between trips, or missing trip sheets.

Cost Documents Not Provided

Unable to verify the validity of reported purchase price and date.

Driver's Daily Logs (DDLs)

Without odometer readings and jurisdictional distance, DDLs are not adequate, but can support other source documents.

Note: D.O.T. and CHP only require that the DDLs be retained for six months. However, if the DDLs are the only source documents, no trip sheets, etc., then they must be retained for the full three years after the close of the registration year.

Questions?

California Department of Motor Vehicles

Contact Information

IRP Operations Unit – (916) 657-7971

IRP Operations Management – (916) 657-7783

Email to: IRP_Customer_Response@dmv.ca.gov

IRP Audit Section – (916) 657-7576

Resources:

http://www.dmv.ca.gov/portal/dmv/detail/mcs/mcs_vr

www.irponline.org