

INTERNATIONAL REGISTRATION PLAN AUDIT PROCEDURES MANUAL

ARTICLE 1 INTRODUCTION

101. Purpose of the Manual

(a) The purpose of the Audit Procedures Manual is to establish a uniform procedure for all Member Jurisdictions to follow. This includes notifying the Registrants of an Audit, conducting the Audit, reporting the Audit, assessing shortages, granting credit, and canceling Registrants, should it become necessary.

(b) The purpose of auditing Registrants under the International Registration Plan, hereafter referred to as “the Plan”, is to protect the integrity of the Vehicle registration laws of all Member Jurisdictions and to ensure equitable treatment of all Registrants subject to the Plan. In accordance with the purpose and principles of the Plan in providing for efficient use of the Member Jurisdictions’ highway systems, it is incumbent upon each Member Jurisdiction to meet its obligations under the provisions of the Plan, i.e., proportional registration of commercial Vehicles, by insuring proper Operational Records of Registrant Total Distance operated, and official Audit of the appropriate Operational Records of all Registrants as prescribed by Article X of the Plan and the Audit Procedures Manual (APM).

ARTICLE 2

GENERAL ACCOUNTING AND AUDITING STANDARDS

201. Training and Proficiency

The Audit is to be performed by a person or persons having adequate technical training and proficiency as an auditor.

Revised April 1, 2001, Ballot 1.7.234 – Audit Procedures Manual – Ballot 1. Effective October 1, 2001.

202. Professional Care

(a) For an Audit to be acceptable to all Member Jurisdictions, it must be conducted in a professional manner and the results clearly documented.

(b) Since the concept of the Plan is for the Registrants to pay fees to the various Member Jurisdictions based on the percentage of Total Distance traveled, it is obvious that an effective, uniform Audit program is essential to verify the integrity of transactions. If such a program is not established, each Member Jurisdiction will be inclined to send auditors into other Member Jurisdictions to verify the accuracy of the In-Jurisdiction Distance percentages and Apportionable Fees paid, creating an undue burden on Registrants. It is, therefore, essential that the basic Audit program adopted by each Member Jurisdiction be uniform and thorough to ensure accuracy. It is each Member Jurisdiction's responsibility to conduct an accurate Audit in a professional manner and to submit a report to each Member Jurisdiction in which the Registrant paid Apportionable Fees or should have paid Apportionable Fees. Any discrepancies in Total Distance reported for Member Jurisdictions are to be reported, and the Base Jurisdiction should make a complete Audit of the registration for the Member Jurisdictions, making whatever adjustments are necessary.

Revised April 10, 1998, Ballot 1.7.192. Effective October 1, 1999.

Revised April 1, 2001, Ballot 1.7.234 – Audit Procedures Manual – Ballot 1. Effective October 1, 2001.

203. Study and Evaluation

For a proper Audit to be conducted, a study and evaluation of the Registrant's reporting system and internal accounting controls must be performed. It is essential that the auditor gain an understanding of the Registrant's reporting system to aid in the Audit process. Additionally, where reliance is to be placed on internal accounting controls for sampling test work and projections, the auditor must determine the reliability of the internal accounting controls and the impact of any weaknesses in the controls on sampling procedures employed in the Audit.

Revised April 1, 2001, Ballot 1.7.234 – Audit Procedures Manual – Ballot 1. Effective October 1, 2001.

204. Adequate Planning and Supervision

(a) Audit work shall be adequately planned and supervised. A standardized Audit program (or checklist), describing the Audit procedures contained in this Audit Procedures Manual and other recommended Audit procedures, should be utilized. The use of a standardized Audit program provides for consistent application of Audit procedures. It serves as a training tool for new auditors, and facilitates the review of the Audit by the Audit supervisor. It does not, however, preclude the use of auditor judgment, when the auditor and supervisor have reason to believe that a situation warrants an adjustment to standard recommended procedures. Deviations from the standard recommended procedures should be documented and approved by the Audit supervisor.

(b) The Audit report and working papers should be reviewed and approved by an Audit supervisor. This will assure that all Audits are conducted accurately and consistently.

Revised April 1, 2001, Ballot 1.7.234 – Audit Procedures Manual – Ballot 1. Effective October 1, 2001.

205. Auditor Independence

(a) The auditor must be free from personal and external impairments to independence. In all matters relating to the assignment, independence in mental attitude is to be maintained by the auditor. The auditor must be without bias with respect to the Registrant under Audit, since otherwise the auditor would lack the impartiality necessary for dependable Audit findings.

(b) In order to maintain independence, auditors should not be involved with the processing of registration applications.

Revised April 1, 2001, Ballot 1.7.234 – Audit Procedures Manual – Ballot 1. Effective October 1, 2001.

206. Working Paper Documentation

(a) The Audit report shall be supported by adequate working papers. The working papers should be prepared by the auditor and reviewed/approved by an auditor supervisor. They should support the basis for the findings and recommendations in the Audit report. Working papers should be sufficiently detailed so that a reviewer (internal or external) can understand them without extensive oral explanations from the auditor.

(b) Working papers may be in the form of paper or electronic media (imaged documents, spreadsheet files, databases, word processing documents). Working papers should:

- (i) Provide the principal support for the Audit report;**
- (ii) Aid in the performance of and review of Audits;**
- (iii) Facilitate third party reviews;**
- (iv) Document whether Audit objectives were achieved; and**
- (v) Document planning, Audit procedures performed, and conclusions reached.**

Revised April 1, 2001, Ballot 1.7.234 – Audit Procedures Manual – Ballot 1. Effective October 1, 2001.

ARTICLE 3

AUDITOR QUALIFICATIONS AND RESPONSIBILITIES

301. Auditor Qualification

Each Member Jurisdiction is responsible for the staffing of qualified auditors based on Member Jurisdiction's personnel guidelines. The staff assigned to conduct Audits must possess adequate professional proficiency for the tasks required. This standard places responsibility on the Member Jurisdiction to ensure that each Audit is conducted by auditors who have the knowledge and skills necessary to conduct the Audit. In cases where the Audit process is performed by a private concern, the Member Jurisdiction must ensure that the contracted auditors meet applicable professional standards.

Revised April 1, 2001, Ballot 1.7.234 – Audit Procedures Manual – Ballot 1. Effective October 1, 2001.
Revised September 30, 2002. Ballot 259 – Audit Procedures Manual. Effective October 1, 2003

302. Auditor Responsibilities

(a) Auditors must give all Registrants equal and fair consideration. There must be no preferential treatment given.

(b) Auditors must conduct Audits in accordance with the Audit Procedures Manual and Member Jurisdiction's Audit procedures.

(c) Auditors conduct Audits on behalf of all Member Jurisdictions. Auditors must conduct Audits giving each Member Jurisdiction equal and fair consideration.

(d) Auditors should conduct themselves in a manner that promotes cooperation and good relations with Registrants and Member Jurisdictions.

Revised April 1, 2001, Ballot 1.7.234 – Audit Procedures Manual – Ballot 1. Effective October 1, 2001.

303. Scope of Duties

(a) The Base Jurisdictions are responsible for the actions of their auditors as they work within the scope of their duties. Auditors shall not have organizational restrictions that preclude them from conducting a full scope professional Audit in accordance with this manual.

(b) The auditor shall be allowed to discuss any discrepancies with the Registrant.

(c) The auditor shall be able to make recommendations to the Registrant.

Revised April 1, 2001, Ballot 1.7.234 – Audit Procedures Manual – Ballot 1. Effective October 1, 2001.

ARTICLE 4

REGISTRANT RESPONSIBILITIES

401. Adequacy of Records

(a) A Registrant's distance accounting system must consistently produce the information required by the Audit Procedures Manual as necessary to evaluate the accuracy of Vehicle movement and to substantiate the Registrant's application for apportioned registration under the Plan. The Registrant's source documents must contain sufficient detail that Vehicle movement may be traced.

(b) The Registrant must maintain Operational Records that support the total In-Jurisdiction Distance and Total Distance traveled everywhere. Operational Records include source documents suitable for verification of Fleet distance as reported on the Registrant's application for apportionment. An acceptable source document for verifying Fleet distance traveled is an "Individual Vehicle Distance Record" (IVDR). A standardized IVDR is suggested and encouraged, but not required. While it is desirable, the necessary information for a trip need not be contained on a single source document. IVDRs shall contain the following information:

- (i) Date of trip (starting and ending);**
- (ii) Trip origin and destination;**
- (iii) Route of travel (may be waived by Base Jurisdiction);**
- (iv) Beginning and ending odometer or hubodometer reading of the trip (may be waived by Base Jurisdiction);**
- (v) Total Distance;**
- (vi) In-Jurisdiction Distance; and**
- (vii) Power Unit number or vehicle identification number.**

(c) The Base Jurisdiction may waive either item (iii) or (iv) above, but may not waive both items (iii) and (iv). Also, a Base Jurisdiction may, in its discretion, require an IVDR to include additional information as follows:

- (i) Fleet number;**
- (ii) Registrant's name;**
- (iii) Trailer number; and**
- (iv) Driver's signature and/or name.**

Revised April 10, 1998, Ballot 1.7.192. Effective October 1, 1999.

Revised April 1, 2001, Ballot 1.7.234 – Audit Procedures Manual – Ballot 1. Effective October 1, 2001.

Revised March 31, 2004, Ballot 311 – Audit Procedures Manual. Effective October 1, 2004

402. Monthly, Quarterly, and Yearly Summaries

(a) From the information recorded on IVDRs, the Registrant must prepare and maintain:

(i) A monthly summary that recaps In-Jurisdiction and Total Distance traveled by each Power Unit operated during the calendar month;

(ii) A quarterly summary that recaps In-Jurisdiction and Total Distance traveled by the Fleet during each calendar quarter; and

(iii) A summary of the quarterly recaps used in preparing the application for apportionment.

(b) Summaries are not acceptable at face value and must be supported by source documents such as IVDRs in order to be of any use during an Audit.

Revised April 1, 2001, Ballot 1.7.234 – Audit Procedures Manual – Ballot 1. Effective October 1, 2001.

Revised March 31, 2004, Ballot 311 – Audit Procedures Manual. Effective October 1 2004

403. Receiving Contract

The IVDRs as mentioned can be utilized by any Registrant; however, a different situation is encountered in accumulating distance on one-way vehicle Fleet Vehicles. The source documents or IVDRs on a one-way Vehicle is the “receiving contract,” which is the paper work completed when a one-way vehicle is turned in or otherwise “received.”

Revised April 1, 2001, Ballot 1.7.234 – Audit Procedures Manual – Ballot 1. Effective October 1, 2001.

404. Supporting Information for IVDR’S

The information recorded on the IVDRs must be accurate and readable. The distance figures to be entered on IVDRs can be obtained from various sources such as odometer and/or hubodometer readings, Member Jurisdiction maps, standard distances, or computer software, as long as the method used is accurate and consistent. Registrants should accumulate IVDRs and prepare monthly, quarterly and yearly distance summaries.

Revised April 1, 2001, Ballot 1.7.234 – Audit Procedures Manual – Ballot 1. Effective October 1, 2001.

405. Accountable Distance Traveled

In recording the actual distance traveled on an Apportionable Vehicle, the Registrant must record all movement (interjurisdictional and intrajurisdictional) including loaded, empty, deadhead and/or bobtail distance. It shall further be the responsibility of the Registrant to record all distance traveled by Apportionable Vehicles while operating with Trip Permits.

Revised April 10, 1998, Ballot 1.7.192. Effective October 1, 1999.

Revised April 1, 2001, Ballot 1.7.234 – Audit Procedures Manual – Ballot 1. Effective October 1, 2001.

406. Lessor Responsibility

It shall be the responsibility of the Lessor in a trip Lease situation to report all distance traveled by the Apportionable Vehicles.

Revised April 10, 1998, Ballot 1.7.192. Effective October 1, 1999.

Revised April 1, 2001, Ballot 1.7.234 – Audit Procedures Manual – Ballot 1. Effective October 1, 2001.

407. Vehicle Allocation

Registrants in the business of leasing Vehicles are also subject to Audit; however, those Audits are based on total gross revenue generated in all Member Jurisdictions versus in-jurisdiction revenue. It is from this percent factor that the Registrant determines the total number of Power Units to be registered in a Member Jurisdiction. This is commonly referred to as “Allocation”.

Revised April 10, 1998, Ballot 1.7.192. Effective October 1, 1999.

Revised April 1, 2001, Ballot 1.7.234 – Audit Procedures Manual – Ballot 1. Effective October 1, 2001.

408. Certified Average Registration Program (CARP)

Registrants in the business of Leasing utility trailers are also subject to Audit; however, those Audits are based on the Certified Average Registration Program (CARP). This is an average inventory kept on all trailers located in or passing through a Member Jurisdiction during the year. This average is then used as the number of trailers to be registered in that Member Jurisdiction for the following year.

Revised April 1, 2001, Ballot 1.7.234 – Audit Procedures Manual – Ballot 1. Effective October 1, 2001.

ARTICLE 5

ON-BOARD RECORDING DEVICES

501. On-Board Recording Devices

(a) On-board recording devices may, at the option of the Registrant, be used in lieu of or in addition to handwritten trip reports for purposes of apportioned registration record-keeping. If a Registrant exercises this option, any device or electronic system used in conjunction with a device shall meet the requirements identified in this Manual. Other equipment monitoring devices, such as those which transmit or may be interrogated as to Power Unit location or travel, may (at the option of the Registrant) be used to supplement or verify handwritten or electronically-generated trip reports.

(b) All recording devices used to generate trip reports or used in conjunction with manual systems must meet the requirements shown in Sections 504 and 505. When the on-board recording device is used in conjunction with an electronic computer system and reports are prepared on the basis of data downloaded from the recording device, the overall system must meet the requirements of Sections 504, 505, and 506.

Revised April 1, 2001, Ballot 1.7.234 – Audit Procedures Manual – Ballot 1. Effective October 1, 2001.

502. Use of On-Board Recording Device Only

When the device is to be used alone, printed reports must be produced which replace handwritten trip reports. The printed trip reports shall be retained for Audit. Power Unit and Fleet summaries which show In-Jurisdiction Distance must then be prepared.

Revised April 10, 1998, Ballot 1.7.192. Effective October 1, 1999.

Revised April 1, 2001, Ballot 1.7.234 – Audit Procedures Manual – Ballot 1. Effective October 1, 2001.

503. Use of On-Board Recording Device in Conjunction with an Electronic Computer System

(a) When the computer system is designed to produce printed trip reports, Power Unit and Fleet summaries which show In-Jurisdiction Distance must also be prepared.

(b) When the printed trip reports will not be retained for Audit, the system must have the capability of producing, upon request, the reports indicated in Section 506.

Revised April 10, 1998, Ballot 1.7.192. Effective October 1, 1999.

Revised April 1, 2001, Ballot 1.7.234 – Audit Procedures Manual – Ballot 1. Effective October 1, 2001.

504. Minimum Device Requirements

(a) The Registrant must obtain a certificate from the manufacturer certifying that the design of the on-board recording device has been sufficiently tested to meet the requirements of this provision.

(b) The on-board recording device and associated support systems must be, to the maximum extent, practicable and tamperproof and must not permit altering of the information collected. Editing of copies of the original information collected will be allowed, but all editing must be identified, and both the edited and original data must be recorded and retained.

(c) The on-board recording device shall warn the driver visually and/or audibly that the device has ceased to function.

(d) The device must time and date stamp all data recorded.

(e) The device must not allow data to be overwritten before the data has been extracted. The device shall warn the driver visually and/or audibly that the device's memory is full and can no longer record data.

(f) The device must automatically update a life-to-date odometer when the Power Unit is placed in motion, or the operator must enter the current Power Unit odometer reading when the on-board recording device is connected to the Power Unit.

(g) The device must provide a method for the driver to confirm that driver-entered data is correct (e.g. a visual display of the entered data that can be reviewed and edited by the driver before the data is finally stored).

Revised April 1, 2001, Ballot 1.7.234 – Audit Procedures Manual – Ballot 1. Effective October 1, 2001.

505. Data Collection

(a) To obtain the information needed to verify Fleet distance and to prepare the Individual Vehicle Distance Record (IVDR), the device must collect the following data on each trip:

- (i) Date of trip (starting and ending);**
- (ii) Trip origin and destination (location code is acceptable);**
- (iii) Route of travel (may be waived by Base Jurisdiction);**
- (iv) Beginning and ending odometer or hubodometer reading of the trip (may be waived by Base Jurisdiction);**
- (v) Total Distance;**
- (vi) Jurisdiction Distance; and**
- (vii) Power Unit number or vehicle identification number.**

(b) The Base Jurisdiction may waive either item (iii) or (iv) above, but may not waive both items (iii) and (iv). Also, the device may include, at the discretion of the Base Jurisdiction, the following additional information:

- (i) Fleet number;**
- (ii) Registrant's name;**
- (iii) Vehicle identification numbers;**
- (iv) Driver ID or name; and**
- (v) Intermediate trip stops.**

Revised April 10, 1998, Ballot 1.7.192. Effective October 1, 1999.

Revised April 1, 2001, Ballot 1.7.234 – Audit Procedures Manual – Ballot 1. Effective October 1, 2001.

506. Capability of System to Produce Reports

Generally speaking, the reports referred to in this section are not prepared by the on-board recording device. Instead, these reports are prepared using an electronic computer system which accepts data from the on-board recording device. The system shall be able to produce the following reports:

- (i) For each trip, an Individual Vehicle Distance Record (IVDR) report that includes the information required in Section 505 (Note: This report may be more than one page.);**
- (ii) A report that indicates when the on-board recording device was last calibrated and the calibration method used;**
- (iii) An exception report(s) that identifies all edited data, omissions of required data (see Section 505), system failures, non-continuous life-to-date odometer readings, travel to noncontiguous states, and trips where the location of the beginning trip is not the location of the previous trip;**
- (iv) A monthly, quarterly, and annual summary of trips by unit number showing total In-Jurisdiction Distance; and**
- (v) Monthly, quarterly, and annual trip summaries by Fleet showing the number of total In-Jurisdiction Distance.**

Revised April 1, 2001, Ballot 1.7.234 – Audit Procedures Manual – Ballot 1. Effective October 1, 2001.

507. Registrant Responsibility

- (a) It is the Registrant's responsibility to recalibrate the on-board recording device when tire size changes, the Power Unit drive-train is modified, or any modifications are made to the Power Unit which affect the accuracy of the on-board recording device. The device must be maintained and recalibrated in accordance with the manufacturer's specifications. A record of recalibrations must be retained for the record retention period.**
- (b) It is the Registrant's responsibility to ensure their drivers are trained in the use of the computer system. Drivers shall be required to note any failure of the on-board recording device and prepare manual trip reports of all subsequent trip information until the device is again operational.**

(c) It is the Registrant's responsibility to maintain a second copy (back-up copy) of the electronic files, either electronically or in paper form, for the Audit retention period.

(d) At the discretion of the Base Jurisdiction, Registrants may submit Operational Records for Audit to the Base Jurisdiction through electronic data transfer.

(e) It is the Registrant's responsibility to ensure the entire record-keeping system meets the requirements of the Plan. It is suggested that the Registrant contact the Base Jurisdiction for verification of Audit compliance prior to implementation.

Revised April 1, 2001, Ballot 1.7.234 – Audit Procedures Manual – Ballot 1. Effective October 1, 2001.

ARTICLE 6

PRELIMINARY AUDIT COMMUNICATIONS

601. Pre-Audit Contact

(a) At least 30 days prior to conducting the Audit, the Registrant shall be contacted and advised that an Audit is to be conducted of Operational Records substantiating distance reported on the apportioned registration application(s). Through the initial or subsequent pre-audit contacts, the Registrant should be advised of the Registration Year(s) to be audited, the type of Operational Records to be audited, the person(s) conducting the Audit, and the proposed Audit commencement date. The pre-audit contacts will provide the Registrant the opportunity to make the required Operational Records available.

(b) For documentation purposes and to avoid misunderstanding, any pre-audit correspondence and documentation of pre-audit contact shall be incorporated into the Audit file.

(c) For just cause, notification requirements may be waived. It is suggested that the auditor obtain an agreement to waive notification requirements from the Registrant prior to conducting an Audit. The Audit may be postponed for just cause.

602. Initial Audit Conference

A documented initial Audit conference should be held with the Registrant to discuss the Registrant's operations and record keeping system, Audit procedures, Operational Records to be examined, sample period, sampling procedures, etc. Open communication between the auditor and Registrant is desirable.

603. Request for Operational Records

(a) During the preliminary phase of the Audit, the auditor will have made a request for IVDR's and distance summaries that support the apportioned registration application as filed. Operational Records must be adequate and complete for each Vehicle of the Fleet being audited. If the Operational Records are not made available, or if the records made available are inadequate for Audit purposes, an assessment of liability may be imposed in accordance with Article X of the Plan. If an estimate of the Registrant's true liability cannot be determined, the Registrant may be assessed 100% of the original Apportionable Fees for the Base Jurisdiction. Any credits calculated for Member Jurisdictions which are caused by the inadequacy of the Operational Records will not be reflected in the fees netted under Article X of the Plan.

(b) The Audit file shall include documentation of requests for Operational Records in cases where adequate Operational Records were not provided subsequent to request. The Audit file shall also include documentation regarding the nature of estimate procedures employed when an assessment of liability is imposed.

Revised April 1, 2001, Ballot 1.7.255- Pre-audits. Effective October 1, 2002.

ARTICLE 7

AUDIT PROCEDURE AND DOCUMENTATION

701. Initial Audit Procedures

(a) It is suggested that the auditor determine if the Registrant was previously audited. If a previous Audit was conducted, any findings of non-compliance should be documented in the Audit file.

(b) The auditor should review the Registrant's registration files to identify the population of Vehicles in the Registration Year and in the Reporting Period that pertain to the Fleet subject to Audit. The auditor should then either

- (i) list the Vehicles to be audited, indicating equipment number, unit weight, make of Vehicle, Vehicle identification number and inclusive months each Vehicle was in the Fleet; or**
- (ii) document an alternative method of identifying the Vehicles (and the time periods they were registered).**

The auditor should use the Vehicle listings, or alternative method documented, to select Vehicles for Audit with respect to sampling distance records. The Vehicle listings or alternative method of identifying the Vehicles shall be included as a work paper in the Audit file.

(c) It is suggested that the auditor conduct an analytical review of the Registrant's application subject to Audit to become more familiar with the Registrant's operations. As a part of the analytical review, the auditor should summarize application information, note unusual trends or variances, draw conclusions, and include the analytical review documentation in the Audit file.

Section A amended April 10, 1998, Ballot 1.7.187. Effective July 1, 2000.
Revised April 1, 2001, Ballot 1.7.255 – Pre-audits. Effective October 1, 2002.
Revised March 31, 2004, Ballot 312 – Audit Procedures Manual. Effective October 1 2004

702. Evaluation of Internal Control

(a) The auditor's study and evaluation of the Registrant's internal accounting control system has three identifiable phases:

- (i) review and documentation;**
- (ii) tests of compliance; and**
- (iii) report on weaknesses.**

(b) Review and documentation includes the following steps:

- (i) determine if there have been changes in the Registrant's accounting procedures or operations during the Audit period;**
- (ii) identify the Operational Records that the Registrant maintains to support the registration application; and**
- (iii) review the supporting documentation and determine if any review of the supporting documentation is performed by the Registrant prior to data entry.**

The auditor should document his/her understanding of the Registrant's distance accounting system by completing an internal control questionnaire designed for this purpose or by diagramming or describing the flow of transactions in flowchart or narrative form. It is suggested that a sample copy of the Registrant's reports, trip records or other documents examined by the auditor be included in the Audit file.

(c) To clarify understanding gained from performing these steps, the auditor may select a few transactions of each transaction type and trace them through the accounting system from initiation to ultimate recording.

(d) By studying the internal control procedures, the auditor can identify potential weaknesses in the internal accounting control system.

(e) Tests of compliance are performed to determine the effectiveness of the internal controls. Based on the result of the compliance tests, the auditor makes an assessment of the degree of reliance that can be placed on the internal controls. If reliance on the internal controls is high, then the substantive tests to be performed may be reduced. Conversely, if reliance on the internal controls is low, then the substantive tests to be performed may be increased.

(f) The nature of the review of the system and whether tests of compliance are made are matters of the auditor's judgment.

(g) Weaknesses identified in the Registrant's internal control system shall be reported to the Registrant and documented in the Audit file.

Revised April 1, 2001, Ballot 1.7.255 – Pre-audits. Effective October 1, 2002.

703. Sampling and Extrapolation Procedures

(a) After completing the review of internal controls, the auditor should discuss proposed sample periods and Operational Records with the Registrant. Source documents/IVDR's and distance summaries for no less than three representative months of the Reporting Period for the Registration Year being audited will be selected for Audit with respect to Jurisdictional distance and other attributes required by Article IV of the APM. After the auditor reconciles the distance summary (ies), differences should be summarized and included as a part of the Audit file. Generally, Audits are to be conducted on a sampling basis. However, a complete Audit of the Registrant's distance records for the twelve-month period or actual months of operation may be necessary if tests of internal controls reveal major weaknesses in the Registrant's reporting system, or if there is an absence of distance summaries.

(b) Auditor judgment is required in determining the nature of errors encountered. Depending on the nature of the errors, they may be treated as isolated errors (and included in findings without being projected) or they may be projected. Sampling and extrapolation procedures performed by the auditor should be documented in the Audit file.

(c) Documentation such as source documents/IVDR's and distance summaries odometer and hubodometer readings, and other Operational Records used by a Registrant to substantiate Total Distance traveled, must be considered by an auditor in determining the acceptability of the Registrant's reporting system. In the event an auditor is unable to determine any reasonable method to assign a portion of the unreported distance traveled by a Registrant, such distance traveled shall be assigned to Member Jurisdictions on the basis of each Member Jurisdiction's audited Jurisdiction Distance. Allocation of such distance traveled must not be done in such a way as to unjustifiably increase the In-Jurisdiction Distance percentage of the Base Jurisdiction conducting the Audit.

(d) Before making projections to the Registrant's distance per summary or application, the suitability of the use of the distance per summaries or application for projection purposes shall be ascertained. It is generally preferable to project to summary distance (corrected as necessary) than to application distance. Differences between the distance per summary and distance per application should be investigated to determine their cause. Also, the auditor shall make a determination as to whether the distance per summary or application includes only the operations of Apportionable Vehicles during the Reporting Period (Section 701(b)). The auditor shall document in the Audit file the conclusions made as to whether the distance per summary or application has sufficient accuracy and reliability to be used in sampling projections.

Revised April 10, 1998, Ballot 1.7.192. Effective October 1, 1999.

Revised April 1, 2001, Ballot 1.7.255 – Pre-audits. Effective October 1, 2002.

Revised March 31, 2004, Ballot 312 – Audit Procedures Manual. Effective October 1 2004

704. Distance Audit Procedures

(a) When a Registrant is allowed to file an apportioned registration application for a Fleet based on Estimated Distance traveled, because no apportioned operations occurred during the Reporting Period, that distance may not be audited as to accuracy of distance traveled for the first Registration Year (but the Registrant may be contacted to ensure proper record maintenance) in accordance with Article IV of the Plan.

(b) If Estimated Distance for a Registrant is granted by the Base Jurisdiction, and it is later discovered that actual distance from apportioned operations was traveled in the Estimated Distance Member Jurisdiction, the auditor may convert the Estimated Distance to actual distance, to ensure proper fee payment in accordance with Article IV of the Plan.

(c) The Registrant will be subject to Audit on actual distance traveled during the Reporting Period in which actual distance was traveled, (as defined in Article IV of the Plan) which corresponds to the Registration Year.

Revised April 10, 1998, Ballot 1.7.192. Effective October 1, 1999.

Revised April 1, 2001, Ballot 1.7.236 – Audit Procedures Manual – Ballot 3. Effective October 1, 2001.

ARTICLE 8

AUDIT COMPLETION AND AUDIT REPORTING PROCEDURES

801. Exit Conference

Unless it is not feasible, a documented exit conference shall be held with the Registrant to review Audit issues and preliminary findings. Included in the exit conference discussion is an overview of the post Audit process, including to whom the final Audit report should be addressed, reporting procedures, rights of appeal, and any recommendations for improvement of the Registrant's system. If it is not feasible for an exit conference to take place, the Audit file shall document sufficient reasons for it not taking place.

Section A amended April 10, 1998, Ballot 17.187. Effective July 1, 2000.
Revised April 1, 2001, Ballot 1.7.237 – Audit Procedures Manual – Ballot 4. Effective October 1, 2001.

802. Registrant Audit Report

(a) A complete report documenting the Audit must be prepared by the Base Jurisdiction and provided to the Registrant. A copy of the report issued to the Registrant shall be kept in the Audit file. The Registrant Audit Report shall contain, but not be limited to, the following summary information:

- (i) Name and address of Registrant;**
- (ii) Account number and Fleet number;**
- (iii) Registration Year(s) audited;**
- (iv) Distance traveled and percent as originally filed;**
- (v) Distance traveled and percent as a result of Audit;**
- (vi) Amount of percent factor change;**
- (vii) Net fees due (or credit) for each Member Jurisdiction;**
- (viii) Remarks, recommendations, observations, and findings which include a description of the types of Operational Records audited and the Audit techniques employed;**
- (ix) Identification of any Power Units removed from the Fleet which have full plate fees assessed in the Audit; and**
- (x) Date of issuance of the report and the name of the auditor(s);**

(b) The Audit report must contain enough information, including detailed schedules, for the Registrant to verify adjustments made. The Audit report must also contain a statement on whether the Registrant's distance accounting system is adequate or inadequate and reason why, as reflected by the consistency in which the Registrant's distance accounting system meets acceptable criteria as established in the Audit Procedures Manual.

Revised April 1, 2001, Ballot 1.7.237 – Audit Procedures Manual – Ballot 4. Effective October 1, 2001.
Revised April 1, 2001, Ballot 1.7.254 – Inadequate Records. Effective October 1, 2002

803. Interjurisdictional Audit Report.

(a) The Audit file (or other record maintained separately) shall include evidence that timely notification to other Member Jurisdictions was given. A copy of the Interjurisdictional Audit Report shall be kept in the audit file.

(b) The Interjurisdictional Audit Report shall contain, but not be limited to, the following information:

(i) Name of Base Jurisdiction;

(ii) Name and address of Registrant;

(iii) Account number;

(iv) Registration Year(s) audited;

(v) Number Apportionable Vehicles;

(vi) Reported Jurisdiction Distance, In-Jurisdiction Distance percentages, and Member's Apportionable Fees;

(vii) Audited Jurisdiction Distance, In-Jurisdiction Distance percentages, and Member's Apportionable Fees by jurisdiction;

(viii) A brief narrative of the Audit procedures employed, the Audit findings, and any pertinent information the auditor feels is needed to relay to affected Member Jurisdictions;

(ix) Date of issuance of the report and the name of the auditor(s); and

(x) A statement on whether the Registrant's distance accounting system is adequate or inadequate and reason why, as reflected by the consistency in which the Registrant's distance accounting system meets acceptable criteria as established in the Audit Procedures Manual.

(c) It shall be the responsibility of all Member Jurisdictions to provide current audit transmittal contact information (including email address) to the Repository.

Section C amended April 10, 1998, Ballot 1.7.187. Effective July 1, 2000

Revised April 1, 2001, Ballot 1.7.237 – Audit Procedures Manual – Ballot 4. Effective October 1, 2001.

Revised April 1, 2002, Ballot 1.7.254 – Inadequate Records. Effective October 1, 2002.

ARTICLE 9 SUMMARY

901. Summary

(a) This Audit Procedures Manual provides uniform Audit procedures for conducting an audit that will be acceptable to both Member Jurisdictions and industry. The procedures contained herein will be helpful to any jurisdiction in setting up an Audit program as well as giving assistance to a Registrant on keeping acceptable records in support of registration applications. The main theme involved in developing uniform Audit procedures relates to the necessity of the Member Jurisdictions to have a viable Audit program and to make the Registrant aware of its responsibility in maintaining accurate records.

(b) The Registrant must maintain and make available adequate records to support the apportioned registration application; otherwise, the privilege to apportion can be denied.

(c) Any Registrant failing to maintain adequate records from which true liability can be determined is subject to an estimated fee assessment, 100% fee assessment to the Base Jurisdiction, the application of penalty as prescribed by the laws of the Base Jurisdiction, and/or the cancellation of registration.