REPORT HIGHLIGHTS

COMMUTING USE OF STATE-OWNED VEHICLES
PERFORMANCE AUDIT, NOVEMBER 2016

DEPARTMENT OF PERSONNEL & ADMINISTRATION

CONCERN

The audit identified fundamental concerns with how the State manages the use of take-home vehicles:

- The statutory criteria to authorize use of a take-home vehicle for commuting are unclear and some criteria may not align with the State's business needs.
- The Department of Personnel & Administration's (Department) policies and rules do not appear to align with Internal Revenue Service (IRS) regulations for determining whether and how much vehicle fringe benefit income should be added to an employee's pay.
- The Department does not carry out all the functions specified in statute for the use of take-home vehicles or serve as a central oversight or support entity with respect to the use of take-home vehicles across state government.

KEY FINDINGS

- For only one of the commuters in our sample of 30 did the state agency demonstrate that the commuting arrangement met all statutory requirements. We estimate that $1.38 million of the total $1.54 million spent on commuting in Calendar Year 2015 was for commuting arrangements that did not meet all the statutory criteria.
- The Department does not review commuting authorizations for compliance with criteria or provide clear guidance to agencies related to the use of take-home vehicles.
- The State's commuting requirements and agency internal controls do not clearly ensure compliance with IRS requirements for reporting vehicle fringe benefits. As a result, the State may not have properly reported vehicle fringe benefits for the more than 1,000 employees with take-home vehicles in Calendar Year 2015. This includes 327 employees for whom we identified specific concerns. For example, the State may have underreported vehicle fringe benefits for two state employees by more than $5,000 each in Calendar Year 2015. Both the employees and the State may be liable for taxes on the amounts underreported and the State could be charged monetary penalties by the IRS.
- Of the 17 commuters required to reimburse the State in Calendar Year 2015, we found 65 percent were not reimbursing the amounts that they should have according to Department rules. Overall, the State only collected about $15,400 in reimbursements out of the $40,800 it was owed in Calendar Year 2015.

BACKGROUND

- Take-home vehicles are state-owned vehicles that employees drive home instead of leaving at a state facility when not being used for business purposes.
- State employees may use state-owned take-home vehicles for travel between the employee's residence and place of business when approved by the agency executive director [Section 24-30-1113(2), C.R.S.].
- The Department is responsible for promulgating rules related to the use of take-home vehicles and determining that commuting authorizations meet the criteria for commuting [Sections 24-30-1113(3), C.R.S.].
- The use of a take-home vehicle is a taxable fringe benefit according to the IRS [26 C.F.R., 1.61-21(a)(1)].
- In Calendar Year 2015, a total of eight state agencies authorized 782 employees to commute (based on data available as of June 2016). An additional 327 employees had take-home vehicles in Calendar Year 2015 (based on data available as of October 2016).
- We estimate that commuting cost the State about $1.54 million in Calendar Year 2015, of which employees reimbursed the State about $15,400.

KEY RECOMMENDATIONS

- Work with stakeholders to recommend key factors to determine eligibility for commuting that would promote efficient and effective state business and work with the General Assembly on statutory changes, as needed.
- Work with the Office of the Attorney General, and tax specialists as appropriate, to assess the State's compliance with IRS requirements for reporting employees' vehicle fringe benefits, revise rules and guidance based on the assessment, and report any corrections to employees' Calendar Year 2015 W-2s.
- Assess whether reimbursement should be set at the value of the commuting fringe benefit according to IRS regulations and take steps to ensure employees correctly reimburse the State.

The Department agreed with all 10 recommendations.