



# OFFICE OF THE STATE AUDITOR



## FOR IMMEDIATE RELEASE

Contact: Stelios Pavlou (303) 869-2833  
stelios.pavlou@state.co.us

DIANNE E. RAY, CPA  
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STATE AUDITOR

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### STATE COULD BE LIABLE FOR IRS PENALTIES OVER EMPLOYEES' PERSONAL USE OF STATE-OWNED VEHICLES

DENVER—The Colorado Office of the State Auditor (OSA) has released its audit of the use of State-owned vehicles for employee commuting purposes and has identified a number of fundamental concerns. Statutory criteria to authorize the use of such vehicles is unclear, the Department of Personnel & Administration (DPA) does not act as a central oversight entity over take-home vehicles, and DPA's policies and rules do not appear to align with IRS regulations.

Take-home vehicles are State-owned vehicles that employees keep at home instead of leaving at a state facility when not being used for business purposes and must be authorized by an agency's executive director. The IRS classifies use of these vehicles as a fringe benefit for determining how much income should be added to employee pay.

The audit found that the State may not have properly reported vehicle fringe benefits for the more than 1,000 employees with take-home vehicles in 2015. This includes 327 employees for whom the OSA 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. "State agencies need to ensure the benefit that employees get from having a take-home vehicle is properly accounted for on their paychecks," said James Taurman, Legislative Audit Supervisor.

OFFICE OF THE STATE AUDITOR  
1525 SHERMAN STREET  
7TH FLOOR  
DENVER, 80203  
COLORADO

303.869.2800

The audit also found that employees commuting in State-owned vehicles cost the State about \$1.54 million in 2015. Under Department rules, only 2 percent of commuting employees were required to reimburse the State, and most of the reimbursements were not for the correct amount.

Further, in only one instance out of a sample of 30 did the OSA find that the commuting arrangement met all statutory requirements. Based on this finding, auditors estimate that of the \$1.54 million spent by the State on commuting, \$1.38 million was spent on arrangements that did not meet the requirements of statute.

The audit also found that DPA does not review commuting authorizations and does not provide clear guidance to agencies.

“When agencies have not properly authorized commuting, there is a risk that employees are using state cars to commute not because it is critical for state business, but because it is a perk for the employee. But commuting is not allowed to be a perk under state law,” said Nina Frant, Legislative Audit Manager.

The audit makes 10 recommendations.

The full report is available @ [www.colorado.gov/auditor](http://www.colorado.gov/auditor).

Under the direction of the state auditor, the OSA is the state’s nonpartisan, independent external auditor with broad authority to audit state agencies, departments, institutions of higher education, and the Judicial and Legislative Branches. The OSA’s professional staff serve the people of Colorado by addressing relevant public issues through high-quality, objective audits and reviews that promote accountability and positive change in government. Performance audits address whether programs operate in compliance with laws and regulations and in a manner that accomplishes intended program goals. Financial audits include annual audits of the state’s basic financial statements and federal grants on a statewide level. IT audits review procedures and technology to ensure the confidentiality, integrity and availability of the state’s critical computer systems and taxpayer data. The OSA also tracks about 4,000 Colorado local governments for compliance with the Local Government Audit Law.