



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen  
State Auditor

Charlie.Janssen@nebraska.gov  
PO Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509  
402-471-2111, FAX 402-471-3301  
www.auditors.nebraska.gov

August 30, 2019

Brian Quandt, Chairman  
Hall County Airport Authority  
3579 Sky Park Road  
Grand Island, NE 68801

Dear Mr. Quandt:

As you may know, the Nebraska Auditor of Public Accounts (APA) received a concern regarding the Hall County Airport Authority (Authority) and its use of Authority-owned vehicles. In response to that concern, the APA began limited preliminary planning work to determine if a full financial audit or attestation would be warranted. Pursuant thereto, the APA requested certain information regarding use of the Authority's vehicles by its staff.

Based upon a review of the information provided, the APA has determined that a financial audit or attestation by our office is not required at this time. Nevertheless, during the course of the preliminary planning work, the APA noted a certain issue that merits corrective action, as presented below.

### **Use of Airport Authority Vehicles**

The Authority owns nine motor vehicles. Four of them are assigned to Authority personnel. The remainder of the fleet is used on Authority property, with the exception for travel to purchase parts and supplies.

The APA found the following concerns related to the Authority's vehicles:

- 1) The Authority lacks a formal, written policy governing the use of its vehicles; however, according to Authority staff, such a policy is scheduled to be considered at its August 14, 2019, meeting.
- 2) All four Authority employees were allowed to take their assigned work vehicles home prior to February 2019, at which time the practice was discontinued for two of the employees. The value of this vehicle usage was not included in the taxable income of these four individuals, which fails to comply with the provisions of Internal Revenue Service (IRS) Publication 15-B (2019). That publication offers employers guidance on the taxable value of certain fringe benefits, including the use of a company car. Generally, the employer must determine the value of a fringe benefit provided to an employee – such as company vehicle usage – for inclusion on the recipient's IRS Form W-2 as taxable income.

Under Publication 15-B's "commuting rule," the value of a vehicle provided to an employee for commuting use is determined by "multiplying each one-way commute (that is, from home to work or from work to home) by \$1.50." However, this rule requires the employer to "establish a written

policy” that prohibits the employee from using the vehicle “for personal purposes other than for commuting or de minimis personal use (such as a stop for a personal errand on the way between a business delivery and the employee's home).”

Because the Authority lacked the requisite formal policy, some method other than the “commuting rule,” as provided in Publication 15-B, should have been used to determine the value of vehicle usage, which must be counted as the employee’s taxable income.

Publication 15-B also provides certain exclusions to income for “working condition benefits,” such as property provided to an employee to assist with the performance of his or her job. An example of a “working condition benefit” is an employee’s use of a company car for job-related purposes. Under the “vehicle allocation rules” of Publication 15-B, the value of the “working condition benefit” (the exclusion from income) is the amount “that would be allowable as a deductible business expense if the employee paid for [the vehicle’s] use. If the employee uses the car for both business and personal use, the value of the working condition benefit is the part determined to be for business use of the vehicle.” Therefore, commuting and personal use of the vehicles would be taxable.

Two of the Authority’s employees, the Operations Manager and the Maintenance Supervisor, were designated as emergency responders by the Authority and allowed to take their work vehicles home. According to the Authority, those vehicles were used for commuting, general airport business, and some personal use. As noted previously, however, the Authority did not include the estimated value of the personal use in the employees’ taxable wages.

Starting in March 2019, the Authority decided that the vehicles assigned to the Operations Manager and the Maintenance Supervisor could be characterized, under Publication 15-B, as “qualified nonpersonal use vehicles” – the use of which is not a taxable fringe benefit.

Publication 15-B describes “qualified nonpersonal use vehicles” as follows:

*All of an employee’s use of a qualified nonpersonal use vehicle is a working condition benefit. A qualified nonpersonal use vehicle is any vehicle the employee isn’t likely to use more than minimally for personal purposes because of its design. Qualified nonpersonal use vehicles generally include all of the following vehicles.*

- *Clearly marked, through painted insignia or words, police, fire, and public safety vehicles.*
- *Unmarked vehicles used by law enforcement officers if the use is officially authorized.*
- *An ambulance or hearse used for its specific purpose.*
- *Any vehicle designed to carry cargo with a loaded gross vehicle weight over 14,000 pounds.*
- *Delivery trucks with seating for the driver only, or the driver plus a folding jump seat.*
- *A passenger bus with a capacity of at least 20 passengers used for its specific purpose.*
- *School buses.*
- *Tractors and other special-purpose farm vehicles.*
- *Bucket trucks, cement mixers, combines, cranes and derricks, dump trucks (including garbage trucks), flatbed trucks, forklifts, qualified moving vans, qualified specialized utility repair trucks, and refrigerated trucks.*

The decision to designate the two Authority automobiles as “qualified nonpersonal use vehicles” was based on the fact that sirens had been installed on them, and they also had communication radios and carried protective fire gear and tools.

- Prior to March 2019, the Authority failed to maintain records to support the miles driven in its vehicles. Effective March 2019, though, three of the four employees assigned Authority vehicles began to complete the mileage logs, while the fourth employee has failed to maintain a log until an official policy requiring such action is adopted.

The logs completed by the three Authority employees reflected the following vehicle usage:

Vehicle	2019 Log Dates	Beg. Miles	Ending Miles	Total Miles	Business Miles	Personal/ Commuting
2005 Ford F250 Pickup	March 25 to July 5	96,827	98,223	1,396	130	1,266
2012 Chevy Equinox	March 25 to July 22	3,249	5,288	2,039	208	1,831
2018 Ford Explorer	March 29 to July 18	3,693	4,317	624	611	13

The APA also found that some of the mileage logs did not account accurately for all miles driven, as reflected in the examples below:

3-27		96844	96849	Call S Washington	Airport		X			X
3-27		96862	96875	oreilly's Auto	oreilly's Auto	X			X	
3-27		96883	96888	Airport	Call S Washington	X			X	
4-8	DD	3448	3454	Home	Airport		X			X
4-8	DD	3476	3483	Airport	Home	X				X
4-19	(20)	3815.4	3826	Adm	CMBA + UPS	✓		Miles		✓
	(20)	3830	3843	Admin	EMBA + Heritage Bank	✓		Miles		✓

These are but a few examples of numerous log entries with missing miles.

- The Executive Director’s September 2013 employment agreement provided a vehicle solely for his business use. Section 4b. of the agreement states the following:

*Vehicle. Authority shall provide at its expense an appropriate vehicle for Director’s business use and Authority shall be responsible for paying insurance costs, repairs, maintenance for said vehicle and shall pay for all fuel for business purposes under such procedures as may be established by Authority. The vehicle shall be used only for business purposes.*

As noted above, until March 2019, the Authority lacked documentation, such as mileage logs, to verify that the vehicle was driven only for business purposes. Additionally, the vehicle logs provided since March 2019 show that some personal mileage was recorded. Although the number of those personal miles is minimal, such usage is prohibited by the contract nonetheless.

We recommend the Authority adopt a formal, written policy ensuring only de minimis personal use of its vehicles. We also recommend the Authority determine whether the IRS Form W-2s provided for its employees should be amended to reflect the value of past fringe benefits received, especially the use of work vehicles for commuting or other personal purposes. Additionally, we recommend the Authority ensure its employees fill out their mileage logs correctly, recording all distances driven and the purpose of each trip. Finally, we recommend the Authority ensure the Executive Director's vehicle usage complies with the terms and conditions of his of employment agreement.

*Overall Authority Response:*

*The following is our response and planned actions.*

- 1. The Authority adopted and implemented a written vehicle use policy on August 6, 2019.*
- 2. The Authority will add compensation for the personal and commuting use for personnel that use the four vehicles using the cents per mile method and rates issued by the Internal Revenue Service.*
- 3. Management is training personnel on proper mileage log completion. Management will review the logs for accuracy and periodically compare logs to odometers. The personal and commuting mileage will be added to compensation for each pay period using the cents per mile method. The Authority is reviewing the vehicle activity and amending prior year payroll forms to include the usage in compensation.*
- 4. The executive director's vehicle has been used only for business since February 2019 with one exception. The mileage was added to compensation.*

\* \* \* \* \*

The preliminary planning work that resulted in this letter was designed primarily on a test basis and, therefore, may not bring to light all existing weaknesses in the entity's policies or procedures.

Draft copies of this letter were furnished to the entity to provide its management with an opportunity to review and to respond to the comment and recommendation contained herein. Any formal response received has been incorporated into the letter.

If you have any questions regarding the above information, please contact our office.

Sincerely,



Mary Avery  
Special Audits and Finance Manager  
Phone: (402) 471-3686  
mary.avery@nebraska.gov

cc: Mike Olson, Executive Director