



**Auditor of State
Betty Montgomery**

MANAGEMENT LETTER

Judiciary/Supreme Court of Ohio
65 South Front St.
Columbus, Ohio 43215

The Judiciary/Supreme Court of Ohio (the Court) is part of the primary government of the State of Ohio. In accordance with *Government Auditing Standards* applicable to financial audits, we have audited the basic financial statements of the State of Ohio as of and for the year ended June 30, 2003, and have issued our report thereon dated December 12, 2003. We very much appreciate your comments made to date and have taken them into account for the preparation of this letter.

Government Auditing Standards also require that we describe the scope of our testing of compliance with laws and regulations and internal controls over financial reporting and report any irregularities, illegal acts, other material noncompliance and reportable conditions in the internal controls. We have issued a report on compliance and internal controls over financial reporting required by *Government Auditing Standards* as of and for the year ended June 30, 2003. The procedures we performed at your agency did not result in the identification of any material noncompliance or reportable conditions in internal control that required inclusion in the statewide report described above.

We are also submitting for your consideration the following comment on applicable federal laws and regulations. These comments reflect matters that, while in our opinion do not represent reportable conditions in internal control, we believe represent matters for which improvements in internal controls or operational efficiencies might be achieved. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the recommendations suggested below. However, these comments reflect our continuing desire to assist your agency. If you have questions or concerns regarding these comments, please do not hesitate to contact us.

1. REPORTING OF TAXABLE PERSONAL USE OF STATE-OWNED VEHICLES

The Internal Revenue Service (IRS), by way of the Internal Revenue Code (Title 26 of the United States Code), requires an employer to annually report all applicable wages and fringe benefits earned by its employees during the previous calendar year. The IRS further holds that allowing an employee personal use of a business vehicle constitutes a taxable benefit which must be reported on the annual Wage and Tax Statement (Form W-2) provided to the employee.

The Supreme Court provides vehicles to each of the Court's seven justices for use in the performance of their Court-related duties. Court resolutions also allow for some personal use of these vehicles, provided that each justice account for his or her personal use of the vehicle and report such use as a taxable benefit to all appropriate taxing authorities. However, the Court itself does not monitor or account for any personal use of Court vehicles provided to the justices, and consequently does not report this information on the annual W-2 forms provided to the justices. The Court also does not have any formal policies and procedures for accounting for the personal use of Court-provided vehicles by the justices.

35 N. Fourth St. / Second Floor / Columbus, OH 43215
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

EV 7

1. REPORTING OF TAXABLE PERSONAL USE OF STATE-OWNED VEHICLES (continued)

Without procedures in place which provide for proper accounting of the personal use of Court-provided vehicles and for proper reporting of the taxable benefits thereof, the Court may be unable to comply with the aforementioned IRS regulations. Furthermore, without reporting these taxable benefits on the W-2 forms provided to the justices, there is a possible increased risk of the justices reporting inaccurate income information when filing their income tax returns with the IRS.

We recommend the Supreme Court develop and implement formal policies and procedures for determining the taxable benefits received by each justice from his or her personal use of a Court-provided vehicle, and for reporting this information to the justices and the IRS on their W-2 forms. Such policies could include having the justices maintain logs detailing their personal use of these vehicles, and then submitting them to the Court's fiscal office for use in determining the proper amount to be reported as a taxable benefit.

On March 22, 2004, we held an exit conference with the management of the Supreme Court in which we discussed the contents of this letter. The Court has chosen to respond to the contents of this letter. A copy of their response can be obtained from Chris Davey, Director of Public Information, at (614) 387-9250.

This letter is intended for the information and use of State of Ohio management and the Ohio General Assembly and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

February 24, 2004

EX. G