

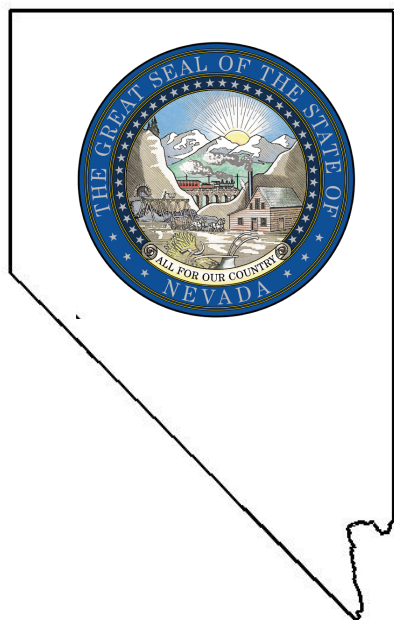
# STATE OF NEVADA

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## Performance Audit

Department of Public Safety  
Capitol Police

2015



Legislative Auditor  
Carson City, Nevada

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# Audit Highlights



Highlights of performance audit report on the Capitol Police issued on November 19, 2015. Legislative Auditor Report # LA16-08.

## Background

The mission of Capitol Police is the protection of life and property by providing proactive law enforcement services, empowering employees through training and education, and enhancing the safety of the citizens of Nevada and its visitors in and around designated state land and facilities. Its vision is to create an environment where employees and visitors to state property are free from fear and are safe from harm and disruption.

The Division provides services on a 24-hour basis, 7 days per week. The Division is headquartered in Carson City, and officers are stationed at fixed posts at the Capitol Complex, Office of the Attorney General, Grant Sawyer Building, and the Governor's Mansion. Officers also actively patrol other designated state locations by vehicle, bicycle, and foot.

The Division is funded mainly through transfers from the Department of Administration, Building and Grounds Division, which is supported primarily from assessments to state agencies. Additional funding is provided for staffing at the Governor's Mansion in Carson City from the Department of Public Safety (DPS). In fiscal year 2012, financial and human resource services were consolidated within the DPS Director's Office to centralize these activities, including those of Capitol Police, to create efficiencies and reduce costs. As of October 2015, the Division had 21 legislatively approved full-time equivalent positions.

## Purpose of Audit

The purpose of this audit was to determine whether financial and administrative controls related to contracted security, and travel expenditures, comply with state laws and regulations and other requirements.

## Audit Recommendations

This audit report contains two recommendations to improve certain controls over contracted security payments.

Capitol Police accepted the two recommendations.

## Recommendation Status

Capitol Police's 60-day plan for corrective action is due on February 19, 2016. In addition, the six-month report on the status of audit recommendations is due on August 19, 2016.

# Capitol Police

## Department of Public Safety

### Summary

Generally, the Capitol Police (Division) processed contract and travel expenditures in compliance with applicable requirements, although certain improvements can be made to the review of contract invoices. While contract invoices were properly processed and mathematically accurate, issues were found regarding documentation of certain approvals. Furthermore, the Division can strengthen its invoice review if times and dates billed by the contractor are compared to security logs. Changes to the monitoring and processing of contract invoices will help ensure payments for the Division's largest expense, other than personnel, are appropriate and accurate.

### Key Findings

The Division can make improvements when approving and processing contractor payments. For instance, review of and approval for payments should be documented by the Division Chief prior to processing. Of 18 contractor invoices reviewed, none had evidence the Chief of the Division reviewed and approved the invoices prior to payments. Division policy and procedures state all expenditures will be approved by the Chief prior to the processing of the payment voucher. Discussions with Division and DPS fiscal personnel indicated the Chief does review invoices prior to payment; however, no evidence of this review was found on any invoice we inspected. Documentation of the Chief's review will help ensure payments are accurate and appropriate. The Division paid \$227,000 for contracted security during fiscal year 2015. This is the largest single expenditure for the Division other than personnel costs. (page 5)

Contract invoice review can be strengthened by a comparison to detailed logs maintained by security personnel at fixed posts covered by the contractor. Our review of available logs found 2 of 12 logs did not have significant activity noted by security personnel to verify personnel arrived and remained at the post for the times billed on invoices. Conversely, 10 date logs did show specific security activity, such as when perimeter checks are performed on buildings, that directly corresponded to dates and times billed. (page 6)

Our review of travel expenditures revealed the Division processed them in accordance with state laws and other requirements. Travel costs included expenses related to the Division's fleet of five patrol vehicles. The Division's vehicles are purchased and maintained by the State's Motor Pool and are subject to monthly rental and mileage charges. Charges for the fleet, of a little more than \$60,000, accounted for the majority of travel expenditures during fiscal years 2014 and 2015. (page 7)

We reviewed travel claims for compliance with state laws and related policies and procedures. Selected invoices were mathematically accurate, properly approved, and paid at the appropriate rates. (page 7)

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This report contains the findings, conclusions, and recommendations from our performance audit of the Capitol Police. This audit was conducted pursuant to the ongoing program of the Legislative Auditor as authorized by the Legislative Commission. The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, programs, activities, and functions.

This report includes two recommendations to improve activities related to contractor invoice payments. We are available to discuss these recommendations or any other items in the report with any legislative committees, individual legislators, or other state officials.

Respectfully submitted,

Paul V. Townsend, CPA  
Legislative Auditor

October 27, 2015  
Carson City, Nevada

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# Introduction

## Background

The Capitol Police (Division) is currently a division of the Department of Public Safety (DPS). The first watchmen, responsible for the security of the Capitol and other state buildings as part of the Division of Buildings and Grounds, were hired in 1949. The watchmen were renamed Capitol Security in 1966. The watchmen carried the same powers of arrest as the police officers of Carson City. In 1985, the Legislature changed the status of the officers to sworn peace officers, and created the Capitol Police. In 1995, the Division was transferred to the Department of Motor Vehicles and Public Safety. In 2001, it was placed under the newly created Department of Public Safety.

The Division's mission is the protection of life and property by providing proactive law enforcement services, empowering employees through training and education, and enhancing the safety of the citizens of Nevada and its visitors in and around designated state land and facilities. Its vision is to create an environment where employees and visitors to state property are free from fear and are safe from harm and disruption.

The Division has jurisdiction on all properties under management or supervision by the Nevada Department of Administration, which includes over 300 buildings, structures, and parcels with nearly 20,000 state employees across Nevada. The Division strives to be a proactive agency providing a visible deterrent to criminal activity, responding to emergencies, and supplementing local police services.

The Division provides service on a 24-hour basis, 7 days per week. As of October 2015, the Division had 21 legislatively approved full-time equivalent positions. The Division is headquartered in Carson City, but officers are also located in Las Vegas. Officers are stationed at fixed posts at the Capitol, Office of the Attorney General, Grant Sawyer Building, and the

Governor's Mansion. Officers also actively patrol other designated state locations by vehicle, bicycle, and foot. Some fixed post stations that the Division oversees do not require full peace officer powers. As a result, the Division utilizes the services of a third party contractor through a statewide master services agreement to provide for security at certain state property locations.

The Division is funded mainly through transfers from the Department of Administration, Buildings and Grounds Division, which is supported primarily from assessments to state agencies. Additional funding is provided for staffing at the Governor's Mansion in Carson City from DPS. In fiscal year 2012, financial and human resource services were consolidated within the DPS Director's Office to centralize these activities, including those of Capitol Police, to create efficiencies and reduce costs. Exhibit 1 shows revenues and expenditures for fiscal years 2014 and 2015.

**Capitol Police Revenues and Expenditures  
Fiscal Years 2014 and 2015**

**Exhibit 1**

	2014	2015
<b><u>Revenues</u></b>		
Reversions	\$ (8,139)	\$ (89,148)
Miscellaneous General Fees	-	25
Funding From DPS	443,295	435,222
Transfer Buildings & Grounds	2,100,218	2,134,362
<b>Total Revenues</b>	<b>\$2,535,374</b>	<b>\$2,480,461</b>
<b><u>Expenditures</u></b>		
Personnel Services	\$2,150,536	\$1,986,685
Travel	35,006	36,440
Operating	24,258	23,220
Contracted Security	120,050	226,956
Officer Supplies and Training	90,030	81,337
Communications	620	607
Cost Allocations and Assessments	114,874	125,216
<b>Total Expenditures</b>	<b>\$2,535,374</b>	<b>\$2,480,461</b>

Source: State accounting system.

**Scope and  
Objective**

The scope of our audit was the 18-month period beginning January 1, 2014, through June 30, 2015. Our audit objective was to:

- Evaluate whether financial and administrative controls related to contracted security and travel expenditures complied with state laws and other requirements.

This audit is part of the ongoing program of the Legislative Auditor as authorized by the Legislative Commission, and was made pursuant to the provisions of NRS 218G.010 to 218G.350. The Legislative Auditor conducts audits as part of the Legislature's oversight responsibility for public programs. The purpose of legislative audits is to improve state government by providing the Legislature, state officials, and Nevada citizens with independent and reliable information about the operations of state agencies, programs, activities, and functions.

**Area for  
Further Review**

The Division currently utilizes a Department of Administration, Purchasing Division, master services agreement for uniformed security guards. During our audit, we found two instances where current and former state employees were utilized by the

independent contractor at Capitol Police posts. State law and the State Administrative Manual (SAM) require approval by the Board of Examiners before current and certain former employees can be utilized under a contract. Because services are provided under a master services agreement, that is administered and used by separate agencies on an ongoing basis, no notification to, or approval of current or former employees was obtained from the Board of Examiners for this contract. While we do not believe the use of these employees negatively impacted state finances, we do believe the issue should be considered as an area for further review.



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# Transactions Processed Properly But Improvements Can be Made

Generally, the Capitol Police (Division) processed contract and travel expenditures in compliance with applicable requirements, although certain improvements can be made to the review of contract invoices. While contract invoices were properly processed and mathematically accurate, issues were found regarding documentation of certain approvals. Furthermore, the Division can strengthen its invoice review if times and dates billed by the contractor are compared to security logs. Changes to the monitoring and processing of contract invoices will help ensure payments for the Division's largest expense, other than personnel, are appropriate and accurate.

## **Contract Invoices Need Further Review**

The Division can make improvements when approving and processing contractor payments. For instance, review of and approval for payments should be documented by the Division Chief prior to processing. In addition, newly available security logs can be compared to invoices providing further support for invoice accuracy. These modifications to controls over processing contractor invoices will help ensure payments are proper.

All 18 contractor invoices we reviewed did not have evidence the Chief of the Division reviewed and approved the invoices prior to payment. Division policy and procedures state all expenditures will be approved by the Chief prior to the processing of the payment voucher. Discussions with Division and Department of Public Safety (DPS) fiscal personnel indicated the Chief does review invoices prior to payment; however, no evidence of this review was found on any invoice we inspected. Review, and documentation of that review, by the Division Chief is important since fiscal personnel are not involved in daily operations related

to contracted security services and cannot realistically attest to the appropriateness and reasonableness of invoices.

The Division paid \$227,000 for contracted security during fiscal year 2015. This is the largest single expenditure for the Division other than personnel costs. The risk of inappropriate payments increases if invoice review and approval is not performed and documented.

Additionally, contract invoice review can be strengthened by a comparison to detailed logs maintained by security personnel at fixed posts covered by the contractor. Our review of available logs found 2 of 12 logs reviewed did not have significant activity noted by security personnel to verify personnel arrived and remained at the post for the times billed on invoices. Conversely, 10 date logs did show specific security activity that directly corresponded to dates and times billed.

Even though we selected 54 individual dates on invoices to compare to logs, the Division did not have 42 logs available for review. This occurred because the Division did not have access to contractor security logs for all posts until recently. Currently, contractor logs are forwarded to the Division for all posts, and logs detail security activity like when perimeter checks are performed on buildings. These activities are reviewed and entered into the Division's security records system similar to posts where Division officers are stationed.

Some contractor logs did not reflect the performance of security activities during billed times; yet, a physical presence is required by the Division at specified posts. Therefore, it is unlikely contracted security personnel were not present for times billed. Nonetheless, a potential for overcharges exists if contracted security guards do not arrive at the specified time or remain at the designated post as anticipated.

## Travel Expenditures Processed In Accordance With Requirements

Our review of travel expenditures revealed the Division processed them in accordance with state laws and other requirements. We reviewed 28 of 108 total travel expenditures. Travel invoices selected included 18 related to the Division's use of marked patrol vehicles and 10 related to employee travel claim expenses.

Travel costs included expenses related to the Division's fleet of five patrol vehicles. The Division's vehicles are purchased and maintained by the State's Motor Pool and are subject to monthly rental and mileage charges. Charges for the fleet, of a little more than \$60,000, accounted for the majority of travel expenditures during fiscal year 2014 and 2015. Exhibit 2 details travel expenses for fiscal years 2013 to 2015.

### Travel Expenditures by Type Fiscal Years 2013 to 2015

Exhibit 2

Description	2013	2014	2015	% Change
Motor Pool Fleet	\$18,490	\$28,857	\$31,906	73%
Air Fare	1,167	2,737	3,310	184%
Other <sup>(1)</sup>	1,546	3,412	1,224	-21%
<b>Total</b>	<b>\$21,203</b>	<b>\$35,006</b>	<b>\$36,440</b>	<b>72%</b>

Source: State accounting system.

<sup>(1)</sup> Other expenditures include reimbursements for employee travel expenses.

Based on discussions with the Division Chief, the cost for the fleet increased from fiscal year 2013 to fiscal year 2015 because officers were able to patrol more than in prior years. This resulted in higher mileage costs since costs are based on monthly rental fees and a cost per mile driven. The utilization of contracted security at more posts in fiscal year 2015 allowed for Division officers to be available for patrol more than in years past.

We reviewed travel claims for compliance with state laws and related policies and procedures. Selected expenditures were mathematically accurate, properly approved, and paid at the appropriate rates. As a result, we have no recommendations related to the Division regarding travel expenditures.

## **Recommendations**

1. Document review and approval of contractor invoices.
2. Compare security service invoices to daily logs and resolve discrepancies where logs do not verify and support billed amounts.

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# Appendix A

## Audit Methodology

To gain an understanding of the Division, we interviewed staff and reviewed statutes, regulations, and policies and procedures significant to Division operations. We also reviewed financial information, prior audit reports, budgets, legislative committee minutes, and other information describing the activities of the Division. Furthermore, we documented and assessed Division internal controls over contracted security invoices and travel expenditures.

To evaluate Division internal controls over contracted security invoices, we obtained from the state accounting system expenditure transactions for the contract vendor. We randomly selected 1 invoice from each month and tested 18 invoices from the 47 total in our scope period. The Division paid \$266,808 to the contract security vendor during our scope period.

To identify whether the contractor was utilizing current or former state employees to provide services, we compared contracted security personnel names listed on the invoices, to the Human Resources Data Warehouse. We reviewed Board of Examiners' meeting agendas and discussed with the Division and the Purchasing Division whether approval for use of these employees had been obtained.

We determined whether selected contract invoice transactions were properly approved, mathematically accurate, proper rates were paid, invoices were adequately supported and properly recorded. To further evaluate Division internal controls over contracted security invoices, we randomly selected three service dates from each invoice, and requested security logs associated with the appropriate post. Not all security logs were available for comparison because this information was not always provided by the vendor to the Division during our scope period. As a result, of

54 dates selected for review, only 12 were available for testing. We compared available invoices and logs and determined if activity on logs noted the presence of security personnel and if start and end times matched that billed. We also discussed whether the Division or the DPS fiscal unit compared this information on an ongoing basis.

To determine if travel expenditures were appropriately processed, we obtained all travel transactions from January 1, 2014, to June 30, 2015. We completed an analytical review, identified where the majority of funds were dispersed, and determined if additional trends existed. We then inquired with Division staff regarding any increases in certain travel expenditures. We judgmentally selected 18 motor pool transactions, one from each scope period month. We also judgmentally selected 10 travel claims. Our judgmental selections were made based on payment date and the type of travel expenditure. The Division incurred 108 travel transactions, 29 from motor pool, and 79 from employee travel, for a total of \$59,258. Finally, we verified whether the selected transactions were properly approved, mathematically accurate, proper rates were paid, amounts were adequately supported and properly recorded.

For our sample design, we used non-statistical audit sampling, which was the most appropriate and cost effective method for concluding on our audit objective. Based on our professional judgement, review of authoritative sampling guidance, and careful consideration of underlying statistical concepts, we believe that non-statistical sampling provides sufficient appropriate audit evidence to support the conclusions in our report.

Our audit work was conducted from April 2015 to September 2015. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In accordance with NRS 218G.230, we furnished a copy of our preliminary report to the Chief of Capitol Police. On October 13, 2015, we met with agency officials to discuss the results of the audit and requested a written response to the preliminary report. That response is contained in Appendix B which begins on page 12.

Contributors to this report included:

A. Lilliana Camacho-Polkow, MBA  
Deputy Legislative Auditor

Shannon Ryan, CPA  
Audit Supervisor

# Appendix B

## Response From Capitol Police

**Brian Sandoval**  
Governor



**James M. Wright**  
Director

**Jerome Tushbant**  
Chief

### Capitol Police Division

Carson City Office  
209 E. Musser St., Ste. 6  
Carson City, Nevada 89701-3700  
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October 14, 2015

Paul V. Townsend, CPA  
Legislative Counsel Bureau  
401 S. Carson Street  
Carson City, NV 89701-4747

Mr. Townsend,

Thank you for your correspondence dated October 8, 2015, requesting a written statement of explanation to the audit report along with the copy of the "Capitol Police Response to Audit Recommendations" to be check marked in accordance with our acceptance or rejection of your recommendations. Our response is as follows:

**Recommendation #1:** *"Document review and approval of contractor invoices."*

The division accepts this recommendation and has implemented a procedure whereby the fiscal staff receiving these invoices sends a copy to the Chief and/or Sergeants for their review and approval. Once they are returned to the fiscal section, staff conducts a secondary review of the dollar amounts to ensure they comply with contracted amounts in addition to ensuring that any errors in hours or amounts are communicated to the contractor and corrected before payments are made.

**Recommendation #2:** *"Compare security service invoices to daily logs and resolve discrepancies where logs do not verify and support billed amounts."*

The division accepts this recommendation and has refined the procedure to ensure that contract security officers complete a daily log of their assignments. These logs are then entered into the Records Management System (RMS) for tracking

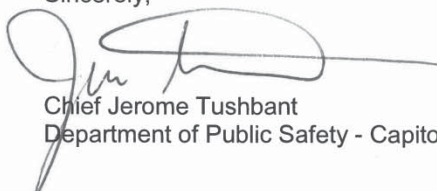
Capitol Police • Office of Criminal Justice Assistance • Emergency Management/Homeland Security  
State Fire Marshal • General Services • Highway Patrol • Investigations • Parole and Probation • Office of Professional Responsibility  
Office of Traffic Safety • Training • Board of Parole Commissioners • Emergency Response Commission



purposes. The invoices received from fiscal staff are then compared with either the RMS log entries or the paper logs and any errors are noted for correction.

Please contact me at (775) 684-4542 if you have any questions regarding this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jerome Tushbant', with a long horizontal stroke extending to the right.

Chief Jerome Tushbant  
Department of Public Safety - Capitol Police

cc: James M. Wright, Director, DPS  
Sheri Brueggemann, Administrative Services Officer IV, DPS  
Susan Hohn, Budget Analyst III, DPS  
Shannon Ryan, CPA, Audit Supervisor, LCB Audit Division  
Lilliana Camacho-Pokow, MBA, Deputy Legislative Auditor, LCB Audit Division  
File

## Capitol Police Response to Audit Recommendations

<u>Recommendations</u>	<u>Accepted</u>	<u>Rejected</u>
1. Document review and approval of contractor invoices.....	<u>    X    </u>	<u>          </u>
2. Compare security service invoices to daily logs and resolve discrepancies where logs do not verify and support billed amounts .....	<u>    X    </u>	<u>          </u>
TOTALS	<u>    2    </u>	<u>          </u>