

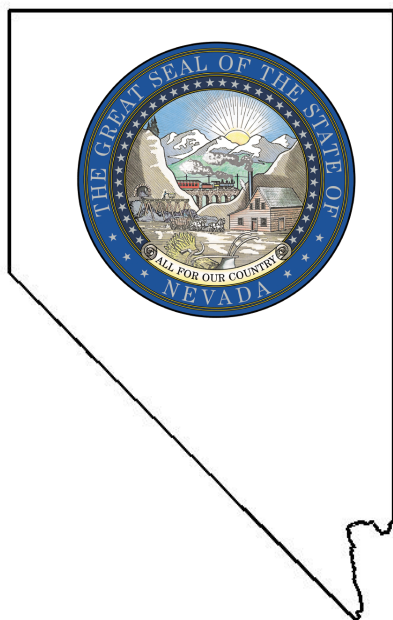
# STATE OF NEVADA

---

## Performance Audit

Department of Public Safety  
Nevada Highway Patrol

2015



Legislative Auditor  
Carson City, Nevada

---

# Audit Highlights



Highlights of performance audit report on the Nevada Highway Patrol issued on November 19, 2015. Legislative Auditor report # LA16-05.

## Background

The Nevada Highway Patrol (NHP) is a division of the Department of Public Safety (DPS). Its mission is to promote safety on Nevada highways by providing law enforcement and traffic services to the motoring public. NHP is located in Carson City, with regional offices in Elko, Las Vegas, and Reno. In fiscal year 2014, NHP had 573 legislative authorized full-time positions. Of these 573 positions, 484 are commissioned officers, and 89 are civilians. NHP is primarily funded by Highway Fund appropriations. Actual expenditures for fiscal year 2014 totaled \$76.7 million, with personnel costs accounting for 66% of the total.

NHP responsibilities include patrol operations, commercial enforcement, and support services. NHP is the primary authority for enforcing laws and regulations on highways across the State of Nevada. The Commercial Enforcement team promotes safe travel for commercial vehicles and school buses. Personnel certified to conduct mechanical safety inspections ensure school buses meet minimum safety specifications established by the State Board of Education. NHP is also responsible for issuing hazmat permits to carriers transporting hazardous materials.

## Purpose of Audit

The purpose of this audit was to determine if certain administrative controls related to school bus inspections, fuel procurement cards, inventory, and the hazmat permit issuing process are adequate.

The audit focused primarily on NHP activities from fiscal year 2014 and some activities related to bus inspections and inventory practices during fiscal year 2015.

## Audit Recommendations

This audit report contains three recommendations to improve the school bus inspection program. In addition, four recommendations were made to improve administrative controls over hazmat permits, fuel cards, and self-reported inventory.

NHP accepted the seven recommendations.

## Recommendation Status

The Division'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.

# Nevada Highway Patrol

## Department of Public Safety

### Summary

Although the Nevada Highway Patrol's (NHP) efforts to conduct mechanical inspections of school buses have been adequate, the process can be improved. NHP inspects approximately 2,470 school buses twice a year across the State to detect out-of-service conditions. These conditions include mechanical and emergency equipment safety defects. Our review of 60 school bus inspections found that almost all recommendations made by NHP were corrected by the various school districts selected in our sample. However, NHP can enhance the results of its efforts by inspecting vehicles such as vans and smaller buses, which are also used to transport pupils, and reporting inspection results to the school districts' superintendents in accordance with state law. The inspection of all vehicles used in the transport of pupils and reporting the inspection results may prevent pupil injuries during transport to and from school related events.

NHP can strengthen administrative practices for the hazmat permit issuing process to ensure compliance with state regulations. Our testing identified that out of 67 vehicles, 16 were issued multiple permits in violation of state regulations. Furthermore, NHP does not have a written contract specific to the issuance of hazmat permits. NHP also needs to improve controls over fuel cards. We found active fuel cards for individuals no longer employed by NHP, two of which incurred charges after the cardholder transferred into another division of the Department. Lastly, NHP lacks controls over the self-reporting inventory process. For example, we found that the self-reported inventory is not verified in accordance with NHP operating practices.

### Key Findings

NHP's efforts to inspect school buses resulted in out-of-service conditions being addressed. We visited 12 school bus yards throughout the State to verify observable repairs, such as inoperable window latches, horns, mirrors, inaccessible or missing first aid kits, and unsecured seats. We found that not all vehicles used to transport pupils are inspected as required by NRS 392.400. There are about 155 vans and other vehicles, besides buses, used to transport pupils across the State that need to be inspected. In addition, the school bus inspection results are not reported to the school district superintendent. Pursuant to NRS 392.400, NHP shall make written recommendations to the school district superintendent for the correction of any defects discovered during the inspection. Furthermore, NHP does not have operating standards for the school bus inspection program. Inspectors rely on the State Board of Education Out-of-Service criteria; however, this document only provides standards for placing a bus out of service. Additional guidelines are needed to ensure the inspections are conducted the same across the State and in accordance with NHP's operating standards. (page 4)

NHP does not have adequate controls over the single-trip hazmat issuing process. The Division is responsible for issuing permits for the transportation of hazardous material throughout the State. There are three types of permits issued by NHP: an annual permit for multiple vehicles, a 72-hour single-trip hazmat permit for a single vehicle, and an emergency 15-day permit. A total of 97 single-trip 72-hour hazmat permits were issued to 67 vehicles between January 1, 2014, and June 30, 2014. We found that 16 of these vehicles or 24% were issued multiple permits within a 3-month period, which is a violation of state regulation. Pursuant to NAC 459.984, temporary hazmat permits are limited to one every 3 months per vehicle. This reduces the risk of hazmat incidents. Further, NHP does not have a contract with the vendor issuing the temporary hazmat permits. (page 9)

NHP does not have an adequate process to identify when employees with fuel cards leave the Division. Our review of 454 total active fuel cards identified 23 active cards for individuals no longer employed by NHP. Out of the 23 active cards, 2 incurred charges after the cardholders transferred to another division of the Department. (page 11)

NHP lacks controls over the self-reported inventory process. This process was implemented as of January 2015 for employees to self-report their inventory via an electronic questionnaire stored on a third-party website. We tested the self-reported process and found it to be effective; however, additional controls are needed to ensure the integrity of the self-reported data and to reduce the risk that errors and theft could occur and go undetected. Finally, NHP's inventory procedures are outdated and do not reflect the self-reported inventory process, including the safeguarding of information on a third-party website. (page 12)

STATE OF NEVADA  
LEGISLATIVE COUNSEL BUREAU

LEGISLATIVE BUILDING  
401 S. CARSON STREET  
CARSON CITY, NEVADA 89701-4747



LEGISLATIVE COMMISSION (775) 684-6800  
MICHAEL ROBERSON, *Senator, Chairman*  
Rick Combs, *Director, Secretary*

INTERIM FINANCE COMMITTEE (775) 684-6821  
PAUL ANDERSON, *Assemblyman, Chairman*  
Cindy Jones, *Fiscal Analyst*  
Mark Krmptic, *Fiscal Analyst*

RICK COMBS, *Director*  
(775) 684-6800

BRENDA J. ERDOES, *Legislative Counsel* (775) 684-6830  
PAUL V. TOWNSEND, *Legislative Auditor* (775) 684-6815  
SUSAN E. SCHOLLEY, *Research Director* (775) 684-6825

Legislative Commission  
Legislative Building  
Carson City, Nevada

This report contains the findings, conclusions, and recommendations from our performance audit of the Nevada Highway Patrol. 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 three recommendations to improve controls over school bus inspections and four recommendations to improve controls over hazmat permits, fuel cards, and inventory. 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 1, 2015  
Carson City, Nevada

# Nevada Highway Patrol Table of Contents

Introduction .....	1
Background.....	1
Scope and Objective .....	3
Monitoring of the School Bus Inspection Program Can Be Improved .....	4
School Bus Inspections Resulted in Out-of-Service Conditions Being Addressed.....	4
Not All Vehicles Used to Transport Pupils Are Inspected .....	5
School Bus Inspection Program Lacks Certain Controls.....	6
Administrative Practices Need Strengthening .....	9
Single-Trip Hazmat Permit Issuing Process Lacks Adequate Oversight.....	9
Controls Over Fuel Cards Are Weak .....	11
Self-Reported Inventory Lacks Controls .....	12
Appendices	
A. Audit Methodology.....	14
B. Response From the Nevada Highway Patrol .....	17

---

# Introduction

## Background

The Nevada Highway Patrol (NHP) is a division of the Department of Public Safety (DPS). Its mission is to promote safety on Nevada highways by providing law enforcement and traffic services to the motoring public. NHP's strategic goals are to:

- Prevent Loss of Life, Injuries, and Property Damage
- Maximize Service to the Public and Assistance to Allied Agencies
- Optimize Traffic and Emergency Incident Management
- Protect Public and State Assets
- Improve Divisional Efficiency

As a statewide criminal justice agency, NHP provides law enforcement assistance to local governments and allied agencies and is the primary authority for enforcing laws and regulations relating to commercial vehicle safety and the commercial vehicle industry. The Division's three major core activities include the following:

Patrol Operations – Traffic enforcement commissioned officers patrol both primary and secondary highways in all 17 counties across the State of Nevada. The troopers are responsible for enforcing traffic laws, arresting violators when necessary, assisting motorists, and providing medical assistance when needed. Services also include investigating property damage, critical injury and fatal crashes, and criminal activity on Nevada's highways.

Commercial Enforcement Operations – Promotes the safe travel of commercial vehicles and school buses on Nevada highways through education, technical assistance, and enforcement activities. The Commercial Enforcement team includes enforcement officers and civilians trained as Commercial Vehicle

Safety Inspectors. The State Board of Education publishes a document that outlines criteria for the inspectors to place a school bus out of service for defects. Each NHP regional office has inspectors assigned to ensure buses are mechanically safe and meet minimum specifications established by the State Board of Education.

Administration & Other Support Services – This function supports the handling of fleet management, statewide inventory, and fiscal operations, including budgeting, accounts payable, contract management, and work program development.

**Budget and Staffing**

The NHP headquarters is located in Carson City, with regional offices in Elko, Las Vegas, and Reno. In fiscal year 2014, NHP had 573 legislative authorized full-time positions. Of these 573 positions, 484 are commissioned officers, and 89 are civilians. Exhibit 1 shows the funding source, amounts, and percent of total revenues for fiscal year 2014.

**Nevada Highway Patrol Revenues** **Exhibit 1**  
**Fiscal Year 2014**

	<b>Revenues</b>	<b>Percent of Total</b>
Highway Fund Appropriations	\$65,472,446	85.4%
Balance Forward	11,695,398	15.2%
Reversions	(4,383,645)	(5.7%)
Grants & Transfers	2,248,009	2.9%
Contract Services Reimbursements	1,354,458	1.8%
Other Revenue & Reimbursements	341,987	0.4%
<b>Total Revenues</b>	<b>\$76,728,653</b>	<b>100%</b>

Source: State accounting system.

Actual expenditures for fiscal year 2014 totaled \$76.7 million, with personnel costs accounting for 66% of the total.

Exhibit 2 shows expenditure categories, amounts, and percent of total expenditures for fiscal year 2014.

**Nevada Highway Patrol Expenditures  
Fiscal Year 2014**

**Exhibit 2**

	<b>Expenditures</b>	<b>Percent of Total</b>
Personnel Services	\$50,573,968	66.0%
Equipment and Vehicles	8,584,419	11.2%
Operating Expenses	7,633,845	9.9%
Allocations and Assessments	7,356,904	9.6%
Information Services	1,796,810	2.3%
Grants and Programs	782,707	1.0%
<b>Total Expenditures</b>	<b>\$76,728,653</b>	<b>100%</b>

Source: State accounting system.

**Scope and  
Objective**

The scope of our audit primarily focused on fiscal year 2014 and some activities related to bus inspections and inventory practices during fiscal year 2015. Our audit objective was to:

- Determine if certain administrative controls related to school bus inspections, fuel procurement cards, inventory, and the hazmat permit issuing process are adequate.

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.

# Monitoring of the School Bus Inspection Program Can Be Improved

Although the Nevada Highway Patrol's (NHP) efforts to conduct mechanical inspections of school buses have been adequate, the process can be improved. NHP inspects approximately 2,470 school buses twice a year across the State to detect out-of-service conditions. These conditions include mechanical and emergency equipment safety defects. Our review of 60 school bus inspections found that almost all recommendations made by NHP were corrected by the various school districts selected in our sample. However, NHP can enhance the results of its efforts by inspecting vehicles such as vans and smaller buses, which are also used to transport pupils, and reporting inspection results to the school districts' superintendents in accordance with state law. The inspection of all vehicles used in the transport of pupils and reporting of inspection results may prevent pupil injuries during transport to and from school related events.

## **School Bus Inspections Resulted in Out-of-Service Conditions Being Addressed**

NHP's efforts to inspect school buses resulted in out-of-service conditions being addressed. We traveled to Elko, Las Vegas, and Reno to verify the resolution of issues identified during the previous year inspections. We visited 12 school bus yards from 7 different counties to verify the repairs for out-of-service conditions that could be physically observed. These included inoperable window latches, horns, mirrors, inaccessible or missing first aid kits, and unsecured seats. We verified repairs for 60 buses and found that repairs to four buses had not been completed. The repairs needed consisted of one bus with an inoperable wheelchair lift and three buses with inoperable window buzzers.

The inspections are conducted by NHP civilian employees trained as Commercial Vehicle Safety Inspectors. The State Board of



Education publishes a document that outlines criteria for the inspectors to place a school bus out of service for defects.

Exhibit 3 shows the total number of school buses, other vehicles, and counties for each NHP regional office.

**School Bus Inspections by Regional Office  
Fiscal Year 2014**

**Exhibit 3**

Regional Offices	Reno	Elko	Las Vegas
Number of School Buses	656	156	1,657
Approximate Number of Other Vehicles	78	1	76
Counties	Washoe	Elko	Clark
	Storey	Lander	Nye
	Carson City	Eureka	Lincoln
	Douglas	Humboldt	
	Lyon	White Pine	
	Churchill		
	Mineral		
	Pershing		
	Nye		
	Esmerelda		

Source: Auditor prepared from data provided by NHP regional offices

Note: Inspections for Nye county are shared between the Reno and Las Vegas regional offices

**Not All  
Vehicles Used  
to Transport  
Pupils Are  
Inspected**

We found that school districts across the State use vans and other vehicles besides buses to transport pupils to and from school related activities. However, NHP does not inspect those vehicles. NHP can enhance the results of its inspection efforts by ensuring vehicles such as vans, used to transport pupils, are mechanically safe in accordance with state law.

Pursuant to NRS 392.400, all vehicles used in the transportation of pupils must be inspected twice per year by the Department of Public Safety. Based on the information provided by NHP there are about 155 other vehicles, besides buses, used to transport pupils across the State. Failure to inspect other vehicles used to transport pupils can increase the risk of injury.

## **School Bus Inspection Program Lacks Certain Controls**

### **School Bus Inspection Results Are Not Reported**

Inspection results are not reported to the school district superintendent. Pursuant to NRS 392.400 (1)(c), NHP shall make written recommendations to the school district superintendent where any vehicle is operating for the correction of any defects discovered during the inspection. Further, NRS 392.400 (2) states if the superintendent fails or refuses to take appropriate action to correct the defects within 10 days after receiving notice from the Department of Public Safety, the superintendent is guilty of a misdemeanor.

Although the inspection report is provided to the school bus yard mechanic, the inspection results are not reported to the school district superintendent. In the past, NHP reported inspection results and the agency did not know when this practice stopped. Nevertheless, management agrees with the need to report inspection results to the school district superintendent.

Reporting on the issues identified during the inspection cycle is important to ensure trends are identified and handled timely. For example, from the 60 buses we observed, 25 or 42% had out-of-service conditions related to emergency windows with either inoperable emergency buzzers, or missing latches. The State Board of Education expects bus drivers to conduct pre and post trip inspections of buses, and report any issue to the yard mechanic for repair. Based on our test sample, the issues with the emergency windows were not reported for repair and/or the defects not repaired.

### **School Bus Inspection Program Lacks Operating Guidelines**

NHP does not have guidelines or performance standards for the school bus inspection program. Instead, the inspectors rely on the State Board of Education Out-of-Service Criteria. The Out-of-Service Criteria mandates when an inspector can place a school bus out of service for various mechanical and safety reasons from defective brakes, leaks in the fuel system, to inoperable windshield wipers. However, this document only provides guidelines for placing a bus out of service. Additional guidance is needed to ensure the inspections are conducted in accordance

---

with NHP's operating guidelines. The following guidelines should be standardized:

- List of school buses to inspect – The list is given to an inspector by the respective school yard mechanic at the time of inspection. This practice increases the risk of omitting a school bus from the inspection cycle. The list should be prepared by someone independent from the mechanic to ensure all buses at each yard are identified for inspection, such as the School District Transportation Manager. Management agrees that as a neutral third party, the list of school buses to inspect should be independent from the mechanics to ensure no vehicle used to transport pupils is omitted from the inspection cycle.
- Record keeping practices vary by region - The Elko region maintains the inspection reports at one of the bus yards. The Reno region maintains the inspection reports at the regional office.

The Las Vegas region maintains the inspection reports for the Clark County School District on a database administered by the District. The reports for the other districts are maintained at the regional office. NHP's record keeping guidelines require records to be stored at the respective regional offices; however, this document does not establish a retention period for school bus inspection records. Federal record keeping requirements state inspection records shall be retained for 14 months from the date on the inspection report.

- Tracking the signed/acknowledged inspection report – The regional offices are not required to ensure that the signed inspection reports are returned to the respective regional office. These reports serve as a control to ensure the issues identified during the inspections have been acknowledged and/or fixed by the mechanics. NRS 392.400(2) requires defects to be corrected within 10 days after receiving notice from the Department of Public Safety.

Without operating guidelines for the school bus inspection program, NHP does not have assurance that inspections 1) are conducted the same across the State, and 2) issues resulting from the inspections are addressed in a manner that provides a reasonable degree of safety and protection to pupils transported by school district vehicles.

### **Recommendations**

1. Ensure all vehicles used to transport pupils are inspected.
2. Develop a division-wide process to report inspection results to school district superintendents.
3. Adopt division-wide guidelines to ensure all vehicles needing inspection are identified and inspected, inspection results are addressed, and records are retained.

---

# Administrative Practices Need Strengthening

NHP can strengthen administrative practices for the hazmat permit issuing process to ensure compliance with state regulations. Our testing identified that out of 67 vehicles, 16 were issued multiple permits in violation of state regulations. Furthermore, NHP does not have a written contract specific to the issuance of hazmat permits. NHP also needs to improve controls over fuel cards. We found active fuel cards for individuals no longer employed by NHP, two of which incurred charges after the cardholders transferred into another division of the Department. Lastly, NHP lacks controls over the self-reporting inventory process. For example, we found that the self-reported inventory is not verified in accordance with NHP operating practices.

## **Single-Trip Hazmat Permit Issuing Process Lacks Adequate Oversight**

NHP does not have adequate controls over the single-trip hazmat permit issuing process. The Division is responsible for issuing hazmat permits to carriers transporting hazardous material through the State. There are three types of permits issued by NHP: an annual permit for multiple vehicles, a 72-hour single-trip hazmat permit for a single vehicle, and an emergency 15-day permit.

The annual permits are obtained through an alliance, which allows participating states to register and permit carriers in a uniform manner. Instead of joining the alliance by obtaining an annual permit; motor carriers may obtain a temporary 72-hour single-trip hazmat permit, as allowed by NAC 459.984. Temporary 72-hour single-trip hazmat permits are currently issued through a vendor. Once the permit is issued, the vendor sends NHP a monthly check, along with a report of vehicles that purchased the temporary permits. NHP issues the emergency 15-day permits directly to the carriers. For example, these permits could apply to

the transportation of fuel for helicopters or other vehicles for fighting fires, floods, or other disasters.

A total of 97 single-trip 72-hour hazmat permits were issued to 67 vehicles between January 1, 2014, and June 30, 2014. We found that 16 of these vehicles or 24% were issued multiple permits within a 3-month period, which is in violation of state regulation. Pursuant to NAC 459.984, temporary hazmat permits are limited to one every 3 months per vehicle. This limitation reduces the risk of hazmat incidents on state highways. NAC 459.984 does not mandate safety requirements for vehicles prior to obtaining temporary permits. In contrast, annual hazmat permits require extensive safety background checks prior to the issuance of a permit.

#### **Lack of Compliance Monitoring**

The problems noted were caused, in part, by NHP's lack of monitoring for compliance with the temporary hazmat permit requirements. NHP's monitoring for this requirement consisted of reviewing one month's report from the vendor to determine if the same vehicle was listed more than once. However, this process does not capture permits issued to the same vehicle within a 90-day period as stated by the regulation. After bringing this issue to management's attention, management learned that the vendor can check the vehicle identification number to ensure only one permit is issued within a 90-day period.

#### **Lack of Contract With Third-Party Vendor**

NHP does not have a contract specific to the issuance of temporary hazmat permits. A contract was signed in 1989 between the vendor who issues the temporary hazmat permits and the former Department of Motor Vehicles and Public Safety in reference to statutes that govern temporary 24-hour permits for vehicles weighing more than 10,000 pounds. However, the contract makes no mention of issuing hazmat permits, nor does it address compliance with state regulations in issuing and charging for temporary hazmat permits. NHP management indicated that the contract signed in 1989 with the vendor issuing temporary hazmat permits was outdated and needed revision.

In addition, we found that the third-party vendor collects \$125 per permit, as allowed by NAC. The vendor also charges a service processing fee, which ranges from \$13 to \$41.50. The vendor remits only the \$125 fee per permit to NHP. NHP was unaware of the additional charges the vendor was charging the permit recipients. NHP is responsible for monitoring the effectiveness of internal controls over the assigned processes performed by service organizations, and should set vendor expectations.

NRS 333.700 (6) requires contracts for services over \$2,000 to be in writing. Failure to have a formal contract can expose the State to unnecessary liability and costs.

### **Controls Over Fuel Cards Are Weak**

NHP does not have an adequate process to identify when employees with fuel cards leave the Division. Our review of 454 total active fuel cards identified 23 active cards for individuals no longer employed by NHP. Out of the 23 active cards, 2 incurred charges after the cardholders transferred to another division of the Department.

After we brought this issue to management's attention, the procurement card administrator (PCA) deactivated the 23 cards. The PCA maintains a listing of cards that is not compared to the listing from the vendor, which results in inaccuracies. Further, the PCA was not aware of their capability to administer the cards via a web portal. The web portal provides NHP with better management tools, such as immediate card deactivation and real-time monitoring.

State policy requires the card administrator to immediately cancel the fuel card within 24 hours if the employee transfers within state service or leaves state service. In addition, NHP's internal controls require the PCA to suspend, revoke, or close a cardholder account once the cardholder is no longer employed.

Failure to deactivate cards for terminated employees could result in fraudulent use and NHP could be liable for amounts charged.

## **Self-Reported Inventory Lacks Controls**

NHP lacks controls over the self-reported inventory process. This process was implemented as of January 2015 and requires all employees (commissioned officers and civilians) to self-report their assigned inventory via an electronic questionnaire stored on a third-party website. We tested the self-reported process and found it to be effective; however, additional controls are needed.

### **Inventory Verification**

The lack of internal controls over the self-reported inventory process increases the risk that errors and theft could occur and go undetected. For example, the self-reporting responses to the inventory questionnaire are not reviewed by the assigned inventory control person (ICP) at the respective regional office. Prior to the newly implemented self-reported inventory process, only commissioned officers self-reported their assets and the inventory responses were verified by the ICPs. According to NHP internal controls, the ICP oversees physical inventory counts of Division assets at least annually. Further, NHP internal controls require high-risk items, such as weapons, magazines, ammunition, computers, and cellular phones to have a hard count at least annually. However, under the new self-reported method only weapons are physically inspected annually during firearm qualification training and other inventory is not verified.

### **Inventory Data on a Third-Party Website**

NHP lacks controls to protect the inventory data stored on a third-party website. The data is an equipment listing from the responses submitted by staff to the electronic inventory questionnaire and does not contain any private information in accordance with NRS 603A.040. However, we found that the NHP staff used a personal email account to manage the inventory data hosted on the third-party website.

We discussed the use of personal email accounts with management. After bringing it to their attention, a state-issued email account was created at the request of NHP management.

The use of a personal email account to access the results of the annual inventory does not provide management with the appropriate control of the information. NHP is responsible for implementing access controls to protect the Division's information from inappropriate access and unauthorized use of the data. The



---

controls should support appropriate segregation of duties and protect the integrity of the inventory data.

**Outdated Procedures**

NHP's inventory operating guidelines are outdated and do not reflect guidelines for the self-reporting inventory process or for the safeguarding of information on a third-party website. For example, an inventory directive indicates assigned inventory control persons are required to oversee the physical inventory count of NHP assets at least annually. However, this is no longer applicable since the NHP has implemented a self-reporting inventory process.

Management indicated that there were no documented procedures for the newly implemented self-reporting inventory process because the process was in a fluid state and there was no time to document the guidelines. Management should update the operating guidelines for the inventory process to reflect current inventory practices and ensure the inventory data is transferable and safeguarded from misuse, alteration, destruction, and/or loss.

**Recommendations**

4. Develop controls to ensure single-trip hazmat permits are issued in accordance with NAC 459.984.
5. Establish a formal state contract with the vendor for the issuance of single-trip hazmat permits.
6. Improve controls to ensure fuel cards are only assigned to active employees.
7. Update property and equipment procedures to reflect the current inventory process, including the verification of inventory and the controls over data on the third-party website.

# Appendix A

## Audit Methodology

To gain an understanding of the Nevada Highway Patrol (NHP), we interviewed staff and reviewed statutes, regulations, policies, procedures, and guidelines significant to the Division's operations. We also reviewed financial information, prior audit reports, budgets, legislative committee minutes, and other information describing the Division's activities. Finally, we reviewed and assessed internal controls over functions related to our audit objective.

To determine if administrative controls related to school bus inspections were adequate, we obtained a listing of school buses for each school district in the State, and we tested the listing for completeness and accuracy. To test the listing for completeness and accuracy we randomly selected 50 buses during our physical visits of school bus yards and traced the bus number to the school bus listing, and also verified that the asset inventory number was accurate on the school bus list.

We reviewed bus inspection guidance from the Nevada Department of Education, National Highway Traffic Safety Administration, and the Code of Federal Regulations. We also discussed the inspection process with staff at each NHP regional office and the Commercial Enforcement staff. Because the regional offices do not maintain readily available inspection results with out-of-service conditions we were not able to determine the total population. We judgmentally selected 60 inspection reports from 2014 with out-of-service conditions to determine if the inspection results were adequately addressed. Our judgment was based on out-of-service conditions that could be physically observed, such as fire extinguishers, first aid kits, unsecured seats, and inspection location by region. We selected 20 inspection reports from each regional office. We visited 12 bus yards throughout the 3 regional offices to physically verify or

review repair records, as applicable for each bus. We also requested a listing of all other vehicles used to transport pupils from the school districts. From the listings provided, we determined the number of vehicles, other than buses, that are used to transport pupils at the different school districts. Our determination of the number of other vehicles was based on the description provided in each listing. We also met with NHP inspectors to review our method used to determine our count of other vehicles by school district.

To evaluate controls over fuel procurement cards, we reviewed internal controls. We obtained a list of active cardholders and compared it to a listing of current employees. From the result of the comparison, we verified the termination date of individuals identified as no longer employed by NHP. Next, we examined the activity of each card after the termination date. We also performed additional data sorts to determine if multiple cards were assigned to the same individual.

To determine the adequacy of controls over inventory, we reviewed policies and procedures. We tested the newly implemented self-reporting inventory method by selecting a judgmental sample of 30 assets at each regional office and physically verified that each asset had a state identification tag. Judgment was based on items that were highly susceptible to theft such as weapons and laptops. Next, we compared each item to the employee self-reported responses to verify the item was reported. We also physically observed certain steps in the inventory process and discussed them with staff.

To evaluate the financial and administrative controls over the single-trip hazmat permit issuing process, we reviewed a list of permits issued during a 6-month period from 1/1/14 to 6/30/14, and determined the quantity of permits issued in violation of state regulation. We determined violations by identifying repeat vehicle identification numbers that were issued multiple permits within a 90-day period. From the listing, we also identified all fees charged for each temporary permit for FY 2013 and FY 2014. We also discussed with management the Division's relationship with the third party issuing the permits.

For our sample design, we used nonstatistical audit sampling, which was the most appropriate method for concluding on our audit objective. Based on our professional judgment, review of sampling guidance, and consideration of underlying statistical concepts, we believe that nonstatistical sampling provided sufficient, appropriate audit evidence to support the conclusions in our report.

Our audit work was conducted from October 2014 to May 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

In accordance with NRS 218G.230, we furnished a copy of our preliminary report to the Chief of the Nevada Highway Patrol. On September 16, 2015, we met with the Chief 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 17.

Contributors to this report included:

Yette M. De Luca, MBA Deputy Legislative Auditor	S. Douglas Peterson, CISA, MPA Audit Supervisor
---	--

Jennifer M. Brito, MPA  
Deputy Legislative Auditor

# Appendix B

## Response From the Nevada Highway Patrol

**Brian Sandoval**  
*Governor*



**James M. Wright**  
*Director*  
**Colonel Dennis S. Osborn**  
*Chief*

### **Nevada Highway Patrol**

555 Wright Ways  
Carson City, Nevada 89711  
Telephone (775 687-5300) • Fax (775 684-4879)

September 28, 2015

Paul V. Townsend, CPA, Legislative Auditor  
Legislative Counsel Bureau  
Legislative Building  
401 South Carson Street  
Carson City, Nevada 89701-4747

Dear Paul Townsend:

Thank you for the exit conference with your staff to discuss findings and recommendations of the legislative audit LA16-xx. I received clarification from the exit conference on September 16<sup>th</sup>, 2015. I am providing you with the written statement of explanation.

#### LA16-xx Recommendations

**1. Ensure all vehicles used to transport pupils are inspected.**

- a. Recommendation Accepted
- b. General explanation: management recognizes the importance of inspecting all vehicles used to transport students.
  - i. The Division has been following the State of Nevada, Department of Education school bus standards which identified four types of school buses which were designed to carry "more than 10 passengers".
  - ii. Nevada Revised Statutes (NRS) 484A.230, however, defines a school bus as "every motor vehicle owned by or under the control of a public or governmental agency or a private school and regularly operated for the transportation of children to or from school or a school activity or privately owned and regularly operated for compensation for the transportation of children to or from school or a school activity."
  - iii. The Division is drafting a directive to comply with NRS 484A.230 that will provide guidelines and processes for semi-annual school bus inspections to include vehicles regularly operated for the transportation of children.

**2. Develop a division-wide process to report inspection result to school district superintendents.**

- a. Recommendation Accepted
- b. General explanation: management recognizes the importance of reporting the inspection results to the superintendents, per NRS 392.400.
- c. The Division is drafting a directive to provide guidelines and processes that assure semi-annual school bus inspections include reporting results to the superintendent.

**3. Adopt division-wide guidelines to ensure all vehicles needing inspection are identified and inspected, inspection results are addressed, and records are retained.**

- a. Recommendation Accepted
- b. General explanation: management recognizes the importance of inspecting vehicles used to transport students be identified, that the deficiencies noted are addressed, and that the inspection records are retained in a Department central records management system. Currently, the Division does not have the manpower to be able to complete this requirement.
- c. The Division is drafting a directive to provide guidelines and processes that assure that all vehicles needing inspection are identified, inspected, inspection results are addressed, and appropriate records are retained. The Division will be requesting two Commercial Vehicle Safety Inspectors and one Administrative Assistant II in the 2017 Legislative Session in order to comply with this requirement.

**4. Develop controls to ensure single-trip hazmat permits are issued in accordance with NAC 459.984.**

- a. Recommendation Accepted, the recommended action has been completed.
- b. General explanation: management recognizes the importance of ensuring single-trip hazmat permits are issued in accordance with Nevada Administrative Code (NAC) 459.984.
  - i. The vendor had been contacted and advised of NAC 459.984. The vendor was requested to track each permit by the Vehicle Identification Number (VIN). The vendor has accepted the change request. The vendor tracks each permit issued by the VIN. The vendors system now alerts if a carrier had applied for the single-trip permit with the same VIN within the previous 90 days and the vendor denies issuance of the permit.

**5. Establish a formal state contract with the vendor for the issuance of single-trip hazmat permits.**

- a. Recommendation Accepted
- b. General explanation: management recognizes the importance of establishing a formal state contact with the vendor for the issuance of single-trip hazmat permits.



- i. The Division is working with the Department Contract Manager to solicit a contract permitting services of single-trip hazmat permits.

**6. Improve controls to ensure fuel cards are only assigned to active employees.**

- a. Recommendation Accepted
- b. General explanation: management recognizes the importance of improving controls over fuel cards.
  - i. Standard Operating Procedures -The Division is drafting a new standard operating procedure to formally put into place controls to assure compliance with state policy.

**7. Update property and equipment procedures to reflect the current inventory process, including the verification of inventory and the controls over data on the third-party website.**

**a. Update Property and Equipment procedures:**

- i. Recommendation Accepted
- ii. General explanation: Management recognizes the importance of better inventory controls as well as documenting and updating Standard Operating Procedures.
- iii. Internal Controls and Standard Operating Procedures – The Internal Controls and Standard Operating Procedures are currently under revision to reflect the new guidelines for self-reporting process which will emphasize receiving and reviewing of inventory responses by the assigned inventory control person(s) (ICPs) at each of the commands.

**b. Verification of inventory:**

- i. **Recommendation Accepted**
- ii. General explanation: The existing Division self-reporting method did include the annual hard count of all Division computers, a high risk item.
- iii. The Internal Controls and Standard Operating Procedures are currently under revision and will assure inventory verification for the rest of the high-risk items (assets) such as magazines, ammunition and cell phones.

**c. The controls over data on a third party website:**

- i. **Recommendation Accepted**
- ii. General explanation: As stated in the audit report, immediate attention and correction implemented by the Division Inventory Control and Management to assure the electronic inventory questionnaire does not contain any private information in accordance with NRS 603A.040
- iii. The data collected will be secured on the Division network to protect the Division's information from inappropriate access and unauthorized use of the data and Inventory Control will implement a password protection at

- the beginning of the questionnaire to control the access of the self-reporting method from any unauthorized users.
- iv. The Division is drafting a directive to provide guidelines and processes that assure private information is protected and unauthorized access is not allowed.

Please contact me if you have any questions.

Sincerely,



Colonel Dennis S. Osborn, Chief  
Department of Public Safety – Highway Patrol Division

DO:lg

Cc: James M. Wright, Director, Department of Public Safety  
Jackie Muth, Deputy Director, Department of Public Safety



## Nevada Highway Patrol's Response to Audit Recommendations

<u>Recommendations</u>	<u>Accepted</u>	<u>Rejected</u>
1. Ensure all vehicles used to transport pupils are inspected.....	<u>    X    </u>	<u>          </u>
2. Develop a division-wide process to report inspection results to school district superintendents .....	<u>    X    </u>	<u>          </u>
3. Adopt division-wide guidelines to ensure all vehicles needing inspection are identified and inspected, inspection results are addressed, and records are retained.....	<u>    X    </u>	<u>          </u>
4. Develop controls to ensure single-trip hazmat permits are issued in accordance with NAC 459.984 .....	<u>    X    </u>	<u>          </u>
5. Establish a formal state contract with the vendor for the issuance of single-trip hazmat permits .....	<u>    X    </u>	<u>          </u>
6. Improve controls to ensure fuel cards are only assigned to active employees .....	<u>    X    </u>	<u>          </u>
7. Update property and equipment procedures to reflect the current inventory process, including the verification of inventory and the controls over data on the third-party website.....	<u>    X    </u>	<u>          </u>
TOTALS	<u>    7    </u>	<u>          </u>