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We have completed an audit of the Department of Corrections, Administration. This audit is part of 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. The results of our audit, including findings, conclusions, recommendations, and the Department's response, are presented in this report.

We wish to express our appreciation to the management and staff of the Department of Corrections for their assistance during the audit.

Respectfully presented,

A handwritten signature in black ink, appearing to read "Paul V. Townsend".

Paul V. Townsend, CPA  
Legislative Auditor

November 14, 2006  
Carson City, Nevada

STATE OF NEVADA  
DEPARTMENT OF CORRECTIONS  
ADMINISTRATION

AUDIT REPORT

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# **EXECUTIVE SUMMARY**

## **DEPARTMENT OF CORRECTIONS ADMINISTRATION**

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### **Background**

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The Nevada Department of Corrections (NDOC) is responsible for the supervision, custody, treatment, care, security, and discipline of all offenders sentenced to imprisonment in the state system. The NDOC Director oversees the Department under the direction of the Board of State Prison Commissioners and establishes regulations with the approval of the Board. NDOC's mission is to protect the community through safe, humane, and efficient confinement of offenders; to maintain sensitivity to the rights and needs of victims; and to provide opportunities for offenders to successfully reenter the community through education, training, treatment, work, and spiritual development.

In fiscal year 2006, offenders were housed at 20 facilities throughout the State. Actual expenditures for NDOC for fiscal year 2006 totaled \$225 million, with personnel costs accounting for about 76% of the total. The Department's legislatively-approved budget for fiscal year 2006 included 2,655 full-time equivalent positions. NDOC is primarily funded with General Fund appropriations. The Department reported having an average offender population of 12,103 in fiscal year 2006. The average cost per offender was about \$18,600 annually or about \$51 per day.

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### **Purpose**

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The purpose of this audit was to evaluate the Department's financial and administrative activities, including whether activities were carried out in accordance with applicable laws, regulations, policies, and procedures. This audit included a review of the Department's non-medical expenditures and accountability over property and equipment for the 18 months ended December 31, 2005.

## EXECUTIVE SUMMARY

### DEPARTMENT OF CORRECTIONS ADMINISTRATION

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## Results in Brief

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The Department of Corrections generally complied with laws, regulations, policies, and procedures significant to its financial and administrative activities. However, we noted some problems related to payroll, personnel requirements, and accountability over property and equipment.

Specifically, the Department's controls over its payroll expenditures can be improved to provide greater assurance that all employees are paid correctly. The Department also needs to obtain written agreements with staff working a variable schedule to clarify when overtime is earned. In addition, we noted the Department did not comply with personnel requirements related to evaluating employee performance and agreements for how overtime will be compensated. Finally, to properly safeguard equipment, the Department needs to ensure a physical count is performed annually at all locations and records are updated.

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## Principal Findings

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- Timesheets for Department employees contained errors resulting in both under and overpayments to employees. In our review of 134 employees at five institutions, 10 (7.5%) had payment errors during the pay period tested. Most of the timesheet errors occurred at one institution. Errors ranged from 40 hours of shift differential being underpaid to an overpayment of 40 hours of overtime. (page 9)
- The Department did not always comply with statutory requirements to approve overtime before it is worked. We tested 36 employees who worked overtime and found 23 did not receive prior written approval. NRS 284.180 requires overtime be approved in advance.

## EXECUTIVE SUMMARY

### DEPARTMENT OF CORRECTIONS ADMINISTRATION

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Most of the problems were at Southern Nevada Women's Correctional Center and the Casa Grande Transitional Housing facility. (page 10)

- The Department did not perform reconciliations to ensure timesheets were entered correctly into the state payroll system as required by Department procedures. Without reconciliations, data entry errors may not be detected which could result in incorrect payments to employees and errors in leave balances. Payroll expenditures were about \$171 million in fiscal year 2006, comprising about 76% of agency expenditures. (page 11)
- In our testing at five institutions, we were unable to locate written agreements for about half (26 of 48) of the custody staff working a variable schedule. Written agreements document the employee's request and management's approval to work a variable work schedule and an understanding of overtime rules applicable when working a variable work schedule. Without signed agreements, we estimate the Department could potentially be liable for up to \$4.8 million annually in additional overtime pay. (page 12)
- The Department did not complete performance evaluations required by state law for many of the employees tested. We reviewed personnel files for 128 employees at five institutions and found that 72, or about 56%, did not receive a performance evaluation in accordance with state law. Our testing found that the issue of performing employee evaluations is a problem at some, but not all, institutions. Additional oversight by central office staff would help ensure employee evaluations are performed at all institutions. (page 14)
- The Department did not have written agreements with its employees to allow compensatory time in lieu of cash payment when overtime was worked, as required by state regulation. Of the 60 employees we tested

## EXECUTIVE SUMMARY

### DEPARTMENT OF CORRECTIONS ADMINISTRATION

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with compensatory time, none had entered into agreements with the Department. As of December 31, 2005, the Department's liability for accrued compensation time was approximately \$800,000. (page 15)

- The Department did not always perform required procedures to ensure its equipment records reflected what it currently had at its facilities. Specifically, NDOC did not perform a complete physical count at all of its locations in 2005 and 2006. For example, in the Department's physical count performed in 2006, inventory reconciliation lists were not returned for 20% of the Department's locations. The Department was not aware of the unreturned lists because it did not track lists sent out and returned. (page 16)
- Our testing of equipment at the main administrative office and five institutions revealed records were not always updated to reflect dispositions, transfers, and additions. For example, we were unable to physically locate 5 of 62 items we tested, including 3 laptop computers. Department personnel indicated they had notified State Purchasing that the computers had been previously deleted from inventory records. However, NDOC did not have documentation of this, and there was no evidence of disposition reports in State Purchasing's equipment inventory system. (page 16)
- Equipment at two new Department facilities was not added to state inventory records until we made inquiries. This included 15 weapons at a facility recently taken over by NDOC that had not been inventoried for a period of approximately 20 months. We also noted assets totaling \$170,000 purchased for the new transitional housing facility were not added to state inventory records. Not recording equipment in state records increases the risk of loss or unauthorized use. (page 17)

## EXECUTIVE SUMMARY

### DEPARTMENT OF CORRECTIONS ADMINISTRATION

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## Recommendations

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This audit report contains nine recommendations to improve the Department's fiscal and administrative practices. Three of the recommendations relate to improving controls over payroll expenditures. One recommendation concerns obtaining written agreements with employees working variable schedules to clarify when overtime is earned. In addition, two recommendations relate to requirements on evaluating employee performance and compensatory time agreements. Finally, we made three recommendations that enhance controls over equipment at NDOC facilities to help ensure it is safeguarded against loss or unauthorized use. (page 26)

## Agency Response

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The Department, in its response to our report, accepted all nine recommendations. (page 23)

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# Introduction

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## **Background**

The Nevada Department of Corrections (NDOC) is responsible for the supervision, custody, treatment, care, security, and discipline of all offenders sentenced to imprisonment in the state system. The Director of the Department supervises the administration of all institutions and facilities of the Department and must take proper measures to protect the health and safety of staff and offenders. The Director oversees the Department under the direction of the Board of State Prison Commissioners and establishes regulations with the approval of the Board.

Authority over operations of the prison system is granted to the Board by the Nevada Constitution. The Board is comprised of the Governor, Secretary of State, and the Attorney General. In 2001, legislation was passed to change the Department's name from the Department of Prisons to the Department of Corrections. NDOC's mission is to protect the community through safe, humane, and efficient confinement of offenders; to maintain sensitivity to the rights and needs of victims; and to provide opportunities for offenders to successfully reenter the community through education, training, treatment, work, and spiritual development.

### **Facilities and Organization of Department**

In fiscal year 2006, offenders were housed at 20 facilities throughout the State: 8 institutions (prisons and correctional centers), 10 conservation camps, 1 restitution center, and 1 transitional center. The Department has two administrative offices, one in Carson City and the other in Las Vegas. The Department is divided into five main functional areas: Operations, Correctional Programs, Medical, Prison Industries, and Support Services. Support Services staff manage the budget, offender trust accounts, management information systems, and other support activities such as procurement and offender stores.

### **Expenditures and Funding**

Actual expenditures for NDOC for fiscal year 2006 totaled \$225 million, with personnel costs accounting for about 76% of the total. For fiscal year 2006, the actual



cost per offender was about \$18,600 annually or about \$51 daily. The Department's legislatively-approved budget for fiscal year 2006 included 2,655 full-time equivalent positions from 24 budget accounts. This excludes the Prison Industries Fund and Offenders' Store Fund, which do not receive any General Fund appropriations. The Department is primarily funded with General Fund appropriations. Other sources of revenue include federal funds and miscellaneous revenue, such as service charges.

The Department reported having an average offender population of 12,103 in fiscal year 2006. Exhibit 1 shows the number of offenders at each facility.

**Exhibit 1**

**Average Number of Offenders  
By Facility for Fiscal Year 2006**

<b>Facility</b>	<b>Number of Offenders</b>
High Desert State Prison	2,404
Southern Desert Correctional Center	1,569
Lovelock Correctional Center	1,534
Northern Nevada Correctional Center	1,271
Ely State Prison	1,072
Nevada State Prison	882
Southern Nevada Women's Correctional Center	574
Warm Springs Correctional Center	489
Other <sup>(1)</sup>	402
Jean Conservation Camp	279
Stewart Conservation Camp	234
Indian Springs Conservation Camp	216
Pioche Conservation Camp	179
Ely Conservation Camp	143
Humboldt Conservation Camp	139
Tonopah Conservation Camp	135
Carlin Conservation Camp	134
Wells Conservation Camp	124
Casa Grande Transitional Housing	121
Silver Springs Conservation Camp	116
Northern Nevada Restitution Center	86
<b>Total</b>	<b>12,103</b>

Source: Department of Corrections' records.

<sup>(1)</sup> Includes offenders in the Department's legal custody, but not located at any facility shown above. This includes offenders in residential confinement, out-of-state, etc.

**Scope and Objective**

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

218.737 to 218.893. 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.

This audit included a review of Department activities of non-medical expenditures and accountability over property and equipment between July 1, 2004, and December 31, 2005. The objective of our audit was to evaluate the Department's financial and administrative activities, including whether activities were carried out in accordance with applicable state laws, regulations, policies, and procedures.

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## **Findings and Recommendations**

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The Department of Corrections generally complied with laws, regulations, policies, and procedures significant to its financial and administrative activities. However, we noted some problems related to payroll, personnel requirements, and accountability over property and equipment.

Specifically, the Department's controls over its payroll expenditures can be improved to provide greater assurance that all employees are paid correctly. The Department also needs to obtain written agreements with staff working a variable schedule to clarify when overtime is earned. In addition, we noted the Department did not comply with personnel requirements related to evaluating employee performance and agreements for how overtime will be compensated. Finally, to properly safeguard equipment, the Department needs to ensure a physical count is performed annually at all locations and records are updated.

### **Controls Over Payroll Need Improvement**

The Department's controls over its payroll expenditures can be improved to provide greater assurance that all employees are paid correctly. Our audit noted timesheets with errors that resulted in under and overpayments to employees. In addition, the Department did not always have documentation that overtime was approved in advance. Finally, the Department did not perform procedures to ensure timesheets were correctly entered into the state payroll system. Payroll expenditures for the Department were about \$171 million in fiscal year 2006.

#### **Timesheet Errors Resulted in Incorrect Paychecks**

Timesheets for Department employees contained errors resulting in both under and overpayments to employees. In our review of 134 employees at five institutions, 10 (7.5%) had payment errors during the pay period tested. Most of the problems occurred at one institution. Errors ranged from 40 hours of shift differential being underpaid to an overpayment of 40 hours of overtime. Exhibit 2 provides details on each of the timesheets that had errors.

**Timesheet Errors Noted  
By Facility Tested**

	<b>Facility</b>	<b>Type of Error</b>	<b>Underpaid Or Overpaid</b>	<b>Number of Hours in Error</b>
1	Southern Nevada Women's Correctional Center	Overtime	Overpaid	40
2	Southern Nevada Women's Correctional Center	Overtime	Overpaid	2
3	Southern Nevada Women's Correctional Center	Regular Time	Overpaid	1
4	Southern Nevada Women's Correctional Center	Overtime	Underpaid	4
5	Southern Nevada Women's Correctional Center	Shift Differential on Overtime	Overpaid	30.5
		Overtime	Overpaid	12
		Shift Differential	Underpaid	30.5
6	Southern Nevada Women's Correctional Center	Overtime	Overpaid	6
		Shift Differential	Underpaid	40
		Shift Differential on Overtime	Underpaid	6
		Call Back	Underpaid	2
7	Warm Springs Correctional Center	Shift Differential	Overpaid	16
8	Warm Springs Correctional Center	Regular Time	Overpaid	1
9	Casa Grande Transitional Housing	Overtime	Overpaid	2
10	Casa Grande Transitional Housing	Overtime	Overpaid	1

Source: Department timesheets and auditor analysis.

In addition, 5% of employees did not have evidence of supervisory approval on at least one of the timesheets during the pay periods tested. Without supervisory approval, there is no assurance the hours recorded on timesheets were correct and therefore that employees were paid correctly.

Timesheets for NDOC employees are complex due to the 24-hours-a-day, 7-days-a-week nature of operations. Although the Department has developed control procedures related to payroll processing, these controls are not sufficient. Agency personnel agreed they can implement additional controls, including training payroll staff to detect common timesheet errors.

**Overtime Was Not Always Approved in Advance**

The Department did not always comply with statutory requirements to approve overtime in advance. We tested 36 employees who worked overtime and found 23 did not receive prior written approval. NRS 284.180 requires approval before overtime is

worked. Most of the problems were at Southern Nevada Women's Correctional Center and the Casa Grande Transitional Housing facility.

Approving overtime in advance serves several purposes: (1) aids management in controlling costs; (2) holds management, at the institutional level, accountable to Department level management; and (3) increases the opportunity to note abuse in advance of it occurring.

In general, overtime worked by custody staff at Department institutions is approved prior to being worked through the Department's scheduling system. However, at the time of our testing, two institutions had not fully implemented the scheduling system or were having some problems with it. Of the 23 employees in our test whose overtime was not pre-approved, 18 were custody staff working at the two institutions. On the other hand, for non-custody staff, the Department has developed forms to indicate overtime was pre-approved. However, this form was not always utilized. This occurred because not all non-custody staff were aware the form must be completed and approved in advance of working overtime.

#### **Lack of Timesheet Reconciliations to the State Payroll System**

The Department did not perform reconciliations to ensure timesheets were entered correctly into the state payroll system as required by Department procedures. Without reconciliations, data entry errors may not be detected which could result in incorrect payments to employees and errors in leave balances. Payroll expenditures were about \$171 million in fiscal year 2006, comprising about 76% of agency expenditures.

The majority of Department employees are considered exception reporters, which means only exceptions, such as leave taken or overtime worked, are recorded on timesheets. Exceptions recorded on timesheets are then manually entered into the state payroll system after they have been signed by employees and approved by supervisors. Paychecks are then generated from information entered into the system. Reconciliations help ensure the integrity and accuracy of data entered into the state payroll system, reducing the risk of payroll and leave balance errors. Department personnel indicated that timesheet reconciliations are being performed currently.

## Recommendations

1. Train payroll staff to conduct timesheet reviews to detect errors affecting payment or leave balances.
2. Develop controls to ensure overtime is approved in advance, as required by state law.
3. Provide oversight of institutions to ensure timesheet reconciliations are performed so timesheets are correctly entered into the state payroll system.

## Variable Work Schedule Agreements Are Needed

The Department needs to obtain written agreements with custody staff working a variable work schedule. In our testing, we were unable to locate written agreements for about half (26 of 48) of employees working a variable schedule. Written agreements document the employee's request and management's approval to work a variable work schedule and an understanding of overtime rules applicable when working a variable work schedule. Without signed agreements, the Department could potentially be liable for significant amounts of overtime.

### **State and Federal Laws Related to Overtime**

NRS 284.180 sets forth state requirements related to overtime. In general, it states that employees are entitled to be compensated at time and one-half of their regular rate when they work in excess of: (a) 8 hours in one calendar day, (b) 8 hours in any 16-hour period, or (c) 40 hours in a week. However, there are some exceptions, including subsection 7, which states:

**“Employees who are eligible under the Fair Labor Standards Act...to work a variable 80-hour work schedule within a biweekly pay period and who choose and are approved for such a work schedule will be considered eligible for overtime only after working 80 hours biweekly, except those eligible employees who are approved for overtime in excess of one scheduled shift of 8 or more hours per day.”**

Under federal law called the Fair Labor Standards Act (FLSA), security personnel in correctional institutions are eligible to work a variable 80-hour work schedule. NDOC management allows custody staff at each institution to decide, based on a simple majority, whether they want to work a variable schedule. However, once the majority

vote in favor of a variable schedule, then almost all of the shifts set up by management follow that schedule. Based on seniority, staff choose a particular shift each November from the shifts available when it is their turn.

Department personnel indicated that all institutions but one are working variable schedules. The most common variable schedule for NDOC custody staff includes 48 hours in one week comprised of four 12-hour days. The second week is comprised of two 12-hour days and one 8-hour day.

Although laws do not require variable work schedule agreements to be in writing, it is prudent business practice to do so. The agreement indicates the employee chose and was approved by management for a variable biweekly work schedule authorized pursuant to state law and the FLSA. It also explains overtime rules applicable to employees working a variable schedule, since normal overtime rules are not applicable.

### **Potential Consequence of Not Having Agreements**

The potential liability could vary substantially depending on the type of documentation deemed sufficient to document an employee chose to work a variable schedule. If written agreements are required, we estimate additional overtime pay could be about \$4.8 million annually for all custody staff lacking agreements. This estimate is based on the 54% of employees without agreements at the five institutions we tested. On the other hand, if documentation related to shift bidding is considered sufficient to show an employee requested a variable schedule, we estimate the potential liability would be about \$700,000 annually. This is substantially lower because only 8% of the employees we tested did not have evidence of requesting a variable schedule through the shift bidding process. Regardless, the most prudent solution would be to obtain written agreements from all employees choosing to work variable schedules.

### **Recommendation**

4. Develop additional controls to ensure written agreements between the Department and staff are signed before staff are scheduled to work a variable work schedule.

## **Personnel Requirements Not Always Followed**

The Department did not always comply with requirements related to conducting employee performance evaluations. Our testing found that the issue of performing employee evaluations is a problem at some, but not all, institutions. In addition, the Department did not comply with requirements to enter into written agreements with employees that choose to accrue compensatory time in lieu of cash payment for overtime worked. These requirements are established in state laws and regulations.

### **Performance Evaluations Were Often Not Completed**

The Department did not complete performance evaluations required by state law for many of the employees tested. We reviewed personnel files for 128 employees at five institutions and found that 72 (56%) did not receive a performance evaluation in accordance with state law. NRS 284.340 requires annual evaluations for employees in the classified service that have achieved permanent status. Evaluations are required more frequently during an employee's probationary period.

Evaluations serve several purposes: (1) evaluating employee's effectiveness in performing assigned duties and responsibilities; (2) identifying factors which can improve job performance; (3) clarifying performance standards as they relate to the current job description; and (4) assisting employees to develop additional knowledge, skills, and abilities for job advancement. In addition, the Department may not have recourse if an employee performs below standard but an evaluation has not been done.

Department management indicated that completing employee evaluations is not a priority at most institutions. Our testing found that the issue of performing employee evaluations is a problem at some, but not all, institutions. For example, at one institution almost all evaluations had been completed compared to another institution which had not completed any. Exhibit 3 provides more detail on evaluations not completed at each of the five institutions we tested.



**Evaluations Not Completed  
By Facility Tested**

<b>Facility</b>	<b>No. of Employees Tested</b>	<b>No. of Evaluations Not Completed</b>	<b>% of Evaluations Not Completed</b>
Warm Springs Correctional Center	27	2	7%
Northern Nevada Correctional Center	28	10	36%
Lovelock Correctional Center	28	19	68%
Southern Nevada Women's Correctional Center	28	28	100%
Casa Grande Transitional Housing	17	13	76%
<b>Totals</b>	<b>128</b>	<b>72</b>	<b>56%</b>

Source: Auditor review of agency records.

Additional oversight by central office staff would help ensure employee evaluations are performed at all institutions. Although central office staff notify institutional staff when evaluations are due for its employees, it does not follow-up to ensure the evaluations have been performed.

**Compensatory Time Agreements Are Needed**

The Department did not have written agreements with its employees to allow compensatory time in lieu of cash payment when overtime was worked. About half of the employees we tested had accrued compensatory time during the 18-month period tested. Of the 60 employees with compensatory time, none had entered into agreements with the Department.

NAC 284.250 requires a written agreement between the agency and employees to accrue compensation time, if the method of compensating an employee is other than cash. Once written agreements are signed, the Department is not obligated to pay employees for overtime worked. Instead, it can compensate employees by allowing them to take time off. As of December 31, 2005, the Department's liability for accrued compensation time was approximately \$800,000.

Department personnel were not sure that a written agreement was required. They believed an agreement was not necessary since employees designate on their time sheet if they want to be paid or accrue compensatory time for overtime worked. Therefore, they requested clarification from the Department's legal counsel, who

advised them to enter into a written agreement before allowing an employee to accrue compensatory time in lieu of cash.

### **Recommendations**

5. Provide centralized oversight of institutions to ensure employees are evaluated as required by state law.
6. Enter into written agreements when employees choose to accrue compensatory time in lieu of payment for overtime worked.

### **Controls Over Equipment Need Improvement**

The Department did not perform an annual physical count of equipment at all of its locations in 2005 and 2006. In addition, inventory records were not always updated to reflect changes, such as additions, transfers, or dispositions of equipment. State laws require agencies to perform a physical count of their equipment annually and reconcile the results to state inventory records so they can be updated. In addition, state agencies are required to notify State Purchasing when changes occur. Accurate records are needed to help safeguard state resources from loss or unauthorized use.

#### **Incomplete Physical Count**

In the Department's physical count of equipment in 2006, inventory reconciliation lists were not returned for 20% of the Department's locations. The Department currently has about 200 locations for equipment inventory purposes. These lists document that a physical count was performed and include changes that need to be made to inventory records. In 2005, 12% of the reconciliation lists were not returned. The Department was not aware of the unreturned lists because it did not track lists sent out and returned. Consequently, it did not follow up with personnel who failed to return lists.

In addition, our testing of records at the main administrative office and five institutions revealed records were not always updated to reflect dispositions, transfers, and additions. For example,

- We were unable to physically locate 5 of 62 items tested, including three laptop computers. Department personnel indicated they had notified State Purchasing that the computers had been previously deleted from inventory records. However, NDOC did not have documentation of this, and there was no evidence of disposition reports in State Purchasing's equipment inventory system.

- Six of 55 items physically located at facilities were not listed on inventory records. These items were not added to inventory records when they were initially acquired. Furthermore, the items were not added during the annual count and reconciliation process.
- The Department's inventory records did not show the correct location for two items we tested. These items were found at other locations throughout the state, but personnel had not updated equipment records.
- The Department disposed of a vehicle that was not previously listed on Department inventory records. Department personnel indicated the vehicle was mistakenly not added to its records when it was received from another state agency.

Transfers and dispositions are tracked through property disposition reports submitted to State Purchasing so statewide inventory records can be updated. Department personnel indicated there is confusion over who is responsible for preparing property disposition reports. Current Department regulations do not specify who is responsible for completing the reports. In addition, management indicated that staff may need training on procedures to ensure equipment additions are added to inventory records.

#### **Equipment at New Facilities Not Added to State Records**

Equipment at two new Department facilities was not added to state inventory records until we made inquiries. State laws require property records be maintained at all times. Not recording equipment in state records increases the risk of loss or unauthorized use.

In September 2004, the Department of Corrections took over operations at the Women's Prison, previously operated by a private contractor. As part of the takeover, the Department acquired all equipment at the facility, including weapons. Although the Department counted the equipment prior to the time of the takeover, none of the assets were reported to the Purchasing Division so they could be added to state records. This included 15 weapons that had not been inventoried for a period of approximately 20 months. Department personnel indicated the delay was caused by uncertainty about how to allocate the lump-sum acquisition cost of the facility and equipment to each individual asset. After our inquiries, the Department obtained guidance from the State Controller's Office on valuing the assets, added the weapons to state records, and began working on recording other items.

We also noted some assets purchased for the new Casa Grande Transitional Housing facility were not added to state inventory records. Specifically, 12 assets costing about \$170,000 were not added until after our inquiries. Department personnel indicated they were waiting to record some of these assets until they could record other assets acquired under the facility's lease-purchase agreement. However, assets acquired by the Department should be added promptly to state inventory records to help safeguard state resources.

### **Recommendations**

7. Update property and equipment policies and procedures to delineate the responsibilities of staff.
8. Train staff on procedures that help ensure property is inventoried and added to state inventory records.
9. Conduct a complete inventory count annually and ensure records are updated to reflect all items in the possession of the Department that meet state guidelines.

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# Appendices

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## Appendix A Audit Methodology

To gain an understanding of the Department of Corrections, we interviewed Department staff and reviewed statutes, regulations, policies, and procedures significant to the Department's operations. We also reviewed financial reports, prior audit reports, budgets, minutes of various legislative committees, and other information describing activities of the Department. Furthermore, we documented and assessed the Department's controls over non-medical expenditures, personnel, property, and equipment.

To accomplish our objective, we randomly selected 145 non-payroll expenditure transactions and tested each for proper recording, approval, and compliance with laws, regulations, policies, and procedures. In addition, we judgmentally selected a total of 20 expenditure transactions recorded in fiscal years 2004 and 2005 to verify they were recorded in the correct fiscal year. We also reviewed 25 credit entries to expenditures to determine their propriety. Finally, we judgmentally selected five contracts, based on dollar size, and tested each for compliance with laws, regulations, and policies.

To determine if payroll expenditures were appropriate, we randomly selected timesheets for 134 employees processed during the 18 months ended December 31, 2005. The timesheets were selected from five budget accounts and tested for compliance with applicable laws, regulations, policies, and procedures. We reviewed timesheets for accuracy in recording hours, including shift differential, overtime, and callback pay. We also verified that work performance standards were established, employees received performance evaluations, and the presence of compensation time and variable work schedule agreements. In addition, we verified that all positions were legislatively approved.

To determine compliance with property and equipment requirements, we determined whether the Department performed annual physical inventories. Based on inherent risk of loss or misuse, we judgmentally selected 62 items on inventory lists for

six locations to confirm their existence. Similarly, we selected 55 additional items at six locations and determined whether these items appeared on inventory lists. In addition, we determined whether weapons on inventory lists at four locations were located at the facility. Finally, we reviewed documentation to determine if the Department was taking steps to update inventory listings.

Our audit work was conducted from December 2005 to September 2006, in accordance with generally accepted government auditing standards.

In accordance with NRS 218.821, we furnished a copy of our preliminary report to the Director of the Department of Corrections. On November 1, 2006, 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 D which begins on page 23.

Contributors to this report included:

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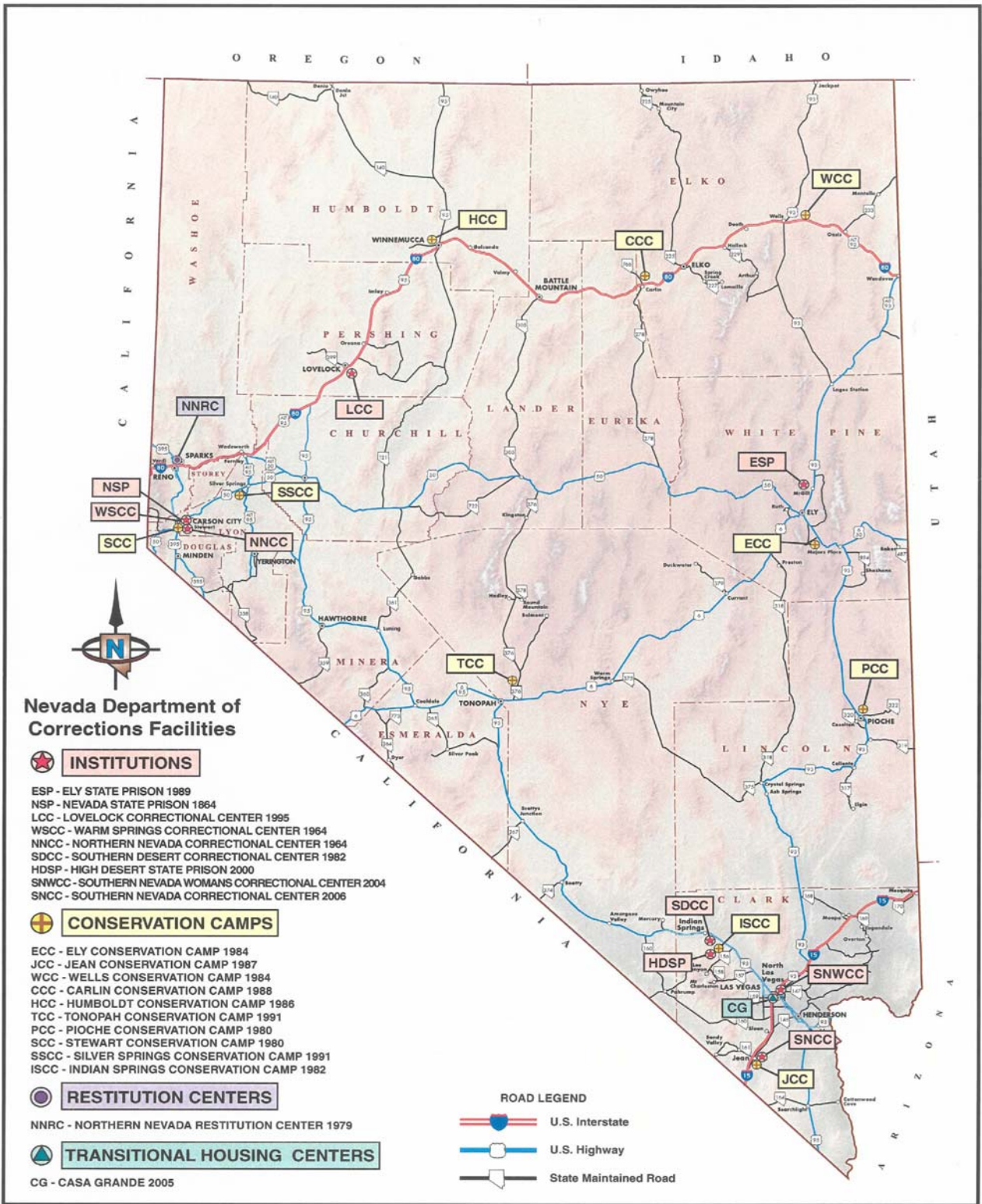
## **Appendix B**

### **Prior Audit Recommendations**

As part of our audit, we reviewed recommendations from the previous audit of the Department of Corrections, Administration, which was issued in 1988. We determined that 11 recommendations were within the scope of our current audit. We evaluated the status of these recommendations and determined eight were fully implemented and three were partially implemented. The three partially implemented recommendations related to timesheet reconciliations, compensatory time agreements, and updating equipment inventory records. We have modified and repeated these recommendations in the current audit.

# Appendix C

## Map of Department's Correctional Facilities



Source: Department of Corrections.



**Appendix D**  
**Response From the Department of Corrections**

**BOARD OF COMMISSIONERS**  
**KENNY C. GUINN**  
GOVERNOR  
**GEORGE CHANOS**  
ATTORNEY GENERAL  
**DEAN HELLER**  
SECRETARY OF STATE

**STATE OF NEVADA**



**Glen Whorton**  
Director

**DEPARTMENT OF CORRECTIONS**

*Leading Nevada Corrections Into the Future*

P.O. Box 7011  
Carson City, NV 89702  
(775) 887-3216  
Fax: (775) 887-3253

November 7, 2006

Paul V. Townsend, CPA, Legislative Auditor  
Legislative Counsel Bureau  
Legislative Building  
401 S. Carson Street  
Carson City, NV 89702-7011

Dear Mr. Townsend:

We have accepted all nine of the recommendations of the audit report on the Department of Corrections, Administration Division for the period of July 1, 2004 – December 31, 2005. The following supplemental information is provided for each recommendation.

**Recommendation Number 1:** Train payroll staff to conduct timesheet reviews to detect errors affecting payment or leave balances.

Response: Payroll staff will be provided training and will be required to obtain certifications within 6 months of their appointment and biennially thereafter.

**Recommendation Number 2:** Develop controls to ensure overtime is approved in advance, as required by State law.

Response: A Director's mandate will be issued requiring supervisors to comply with Administrative Regulation 320 Salary Administration and 322 Type of Leave and Leave Procedure.

Quarterly, during internal control reviews, the Chief of Fiscal Services will monitor progress and verify compliance with this recommendation.

**Recommendation Number 3:** Provide oversight of institutions to ensure timesheet reconciliations are performed so timesheets are correctly entered into the State payroll system.

Response: The Department requires payroll staff to perform timesheet reconciliations with the exception of Budget 3710 (Directors) and 3708 (Stores) as they recently implemented the NEATS timesheet entry and therefore cannot reconcile. Quarterly, during internal control reviews, the Chief of Fiscal Services will monitor progress and verify compliance with this recommendation.

**Recommendation Number 4:** Develop additional controls to ensure written agreements between the Department and staff are signed before staff is scheduled to work a variable work schedule.

Response: Administrative Regulation 301 Shift Bidding will be amended to include DOC-143 Work Schedule Request to meet this recommendation. The Department is working with the Attorney General to determine whether or not the Agreement can be mandated for a specific time frame. If the Agreement cannot be for a specific time frame, the Department will evaluate the continued use of a variable work schedule. Quarterly, during internal control reviews, the Chief of Fiscal Services will monitor progress and verify compliance with this recommendation.

**Recommendation Number 5:** Provide centralized oversight of institutions to ensure employees are evaluated as required by State law.

Response: The Department will provide centralized oversight of institutions to ensure employees are evaluated. Quarterly, during internal control reviews, the Chief of Fiscal Services will monitor progress and verify compliance with this recommendation.

**Recommendation Number 6:** Enter into written agreements when employees choose to accrue compensatory time in lieu of payment for overtime worked.

Response: The Department will provide supervisory training regarding the requirement to utilize DOC-1048 Election of Compensatory Time. We are also amending AR 320 to include the requirement to utilize this form. Quarterly, during internal control reviews, the Chief of Fiscal Services will monitor progress and verify compliance with this recommendation.

**Recommendation Number 7:** Update property and equipment policies and procedures to delineate the responsibilities of staff.

Response: The Department has completed Procedure SS-0039 to implement this recommendation.

**Recommendation Number 8:** Train staff on procedures that help ensure property is inventoried and added to State inventory records.

Response: The Department will develop a fixed asset training plan by January 16, 2007.

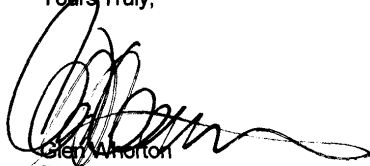
**Recommendation Number 9:** Conduct a complete inventory count annually and ensure records are updated to reflect all items in the possession of the Department that meet State guidelines.

Response: The Department has completed Procedure SS-0039 to implement this recommendation. During the Annual Internal Control Review, the Chief of Fiscal Services will validate that all inventory counts occurred. Quarterly, five random Property Disposition Reports will be reviewed to ensure our records have been updated and the procedures are being followed.

S:\Fiscal\Audits\Leg 20051205\Administration\Administration Initial Audit Response.doc

Also attached is a spreadsheet detailing each recommendation, our plan and the current status of the recommendation as required pursuant to NRS 218.8235.

Yours Truly,



Greg Whorton  
Director  
Nevada Department of Corrections

cc: Darrel Rexwinkel, Deputy Director/Support Services  
Lori Bagwell, Chief of Fiscal Services

**Department of Corrections  
Response to Audit Recommendations**

<u>Recommendation Number</u>		<u>Accepted</u>	<u>Rejected</u>
1	Train payroll staff to conduct timesheet reviews to detect errors affecting payment or leave balances .....	<u>  X  </u>	<u>      </u>
2	Develop controls to ensure overtime is approved in advance, as required by state law.....	<u>  X  </u>	<u>      </u>
3	Provide oversight of institutions to ensure timesheet reconciliations are performed so timesheets are correctly entered into the state payroll system.....	<u>  X  </u>	<u>      </u>
4	Develop additional controls to ensure written agreements between the Department and staff are signed before staff are scheduled to work a variable work schedule .....	<u>  X  </u>	<u>      </u>
5	Provide centralized oversight of institutions to ensure employees are evaluated as required by state law .....	<u>  X  </u>	<u>      </u>
6	Enter into written agreements when employees choose to accrue compensatory time in lieu of payment for overtime worked .....	<u>  X  </u>	<u>      </u>
7	Update property and equipment policies and procedures to delineate the responsibilities of staff .....	<u>  X  </u>	<u>      </u>
8	Train staff on procedures that help ensure property is inventoried and added to state inventory records .....	<u>  X  </u>	<u>      </u>
9	Conduct a complete inventory count annually and ensure records are updated to reflect all items in the possession of the Department that meet state guidelines .....	<u>  X  </u>	<u>      </u>
	<b>TOTALS</b>	<u>    9    </u>	<u>    0    </u>