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We have completed an audit of the Nevada Highway Patrol (NHP). 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 NHP's response, are presented in this report.

We wish to express our appreciation to the management and staff of the NHP 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

January 16, 2008
Carson City, Nevada

STATE OF NEVADA
DEPARTMENT OF PUBLIC SAFETY
NEVADA HIGHWAY PATROL

AUDIT REPORT

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EXECUTIVE SUMMARY

DEPARTMENT OF PUBLIC SAFETY NEVADA HIGHWAY PATROL

Background

The Nevada Highway Patrol (NHP) promotes safety on Nevada highways by providing law enforcement traffic services to the motoring public. NHP's statutory function is to execute, administer, and enforce traffic laws in conjunction with the Department of Motor Vehicles. Its responsibilities also include investigating traffic accidents and regulating motor carriers who transport cargo and hazardous materials on Nevada highways. Additionally, the agency provides security to the Governor and his family.

In fiscal year 2007, the agency had 579 authorized full-time equivalent positions from three budget accounts: Highway Patrol, NHP's main budget account; Highway Safety Grant Account, which is used to record federal grant activity; and Dignitary Protection, which is used to record activities of personnel that provide security to the Governor and his family. The agency is primarily funded by Highway Fund appropriations. Actual expenditures for fiscal year 2007 totaled \$65.3 million, with personnel costs accounting for about 77% of the total.

Purpose

The purpose of this audit was to evaluate the NHP'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 agency's revenues, expenditures, and accountability over property and equipment from July 1, 2005, to December 31, 2006.

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DEPARTMENT OF PUBLIC SAFETY NEVADA HIGHWAY PATROL

Results in Brief

The Nevada Highway Patrol generally complied with laws, regulations, policies, and procedures significant to its financial and administrative activities. However, we noted some problems related to personnel requirements, accountability over property and equipment, and credit cards.

Specifically, the agency did not comply with personnel requirements related to evaluating employee performance, agreements for how overtime will be compensated, and work performance standards. In addition, the agency did not perform annual physical counts of equipment or update state property records as needed. Finally, the agency has not maintained a complete, accurate record of fuel and other credit cards issued to employees, or reviewed invoices for reasonableness of charges.

Principal Findings

- The NHP did not complete performance evaluations required by state law for some of the employees tested. We reviewed personnel files for 59 employees and found 26 (44%) 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. (page 8)
- The NHP did not always have written agreements with its employees to allow compensatory time in lieu of cash payment when overtime was worked. Of the 57 employees with compensatory time, 16 (28%) had not entered into an agreement with the agency. An

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DEPARTMENT OF PUBLIC SAFETY NEVADA HIGHWAY PATROL

additional seven employees, who signed a compensatory time agreement, accrued more than 120 hours of overtime. However, the agreements did not specifically authorize them to accrue more than 120 hours, as required by NAC 284.250. (page 9)

- The NHP did not develop work performance standards for some of its classified employees. Of 59 personnel files reviewed, 14 (24%) did not have work performance standards, or a signed form indicating they have reviewed and understand their work performance standards. State laws and regulations require agencies to develop work performance standards for each position. (page 10)
- Timesheets for NHP employees contained errors resulting in minor underpayments and overpayments to employees. In our review of 60 timesheets, 7 (12%) had payment errors during the pay period tested. Most of the errors occurred because NHP misinterpreted personnel regulations. (page 10)
- With the exception of weapons, the NHP did not perform a complete annual physical count of its equipment as required by statute. Management was unsure when a complete count was last performed. Physical counts of equipment and subsequent reconciliation to state records identify changes that need to be made to inventory records. Because counts were not completed, state records were not updated. Without accurate records of equipment, the agency is at risk for theft or loss going undetected. (page 11)
- NHP has performed an annual physical count of weapons, but did not submit property disposition reports for lost, stolen, transferred, or excessed state property. For example, state records contain 103 weapons that the agency does not have anymore. However, disposition reports were not prepared

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DEPARTMENT OF PUBLIC SAFETY NEVADA HIGHWAY PATROL

because personnel mistakenly believed a permanent record needed to be maintained. (page 12)

- NHP does not have a complete, accurate record of fuel and other credit cards issued to employees. State policy and internal control standards require agencies to maintain reliable records. In addition, NHP does not always review fuel invoices for questionable charges prior to payment. The agency's fuel costs were nearly \$1.9 million in fiscal year 2007. (page 13)

Recommendations

This audit contains eight recommendations to improve the NHP's financial and administrative practices. Four recommendations relate to ensuring compliance with personnel requirements. In addition, two recommendations relate to improving controls over equipment owned by the agency. Finally, two recommendations relate to improving accountability over fuel and other credit cards. (page 21)

Agency Response

The NHP, in response to our report, accepted seven recommendations and partially accepted one recommendation. (page 17)

Introduction

Background

The Nevada Highway Patrol (NHP) was created in 1949 and is a division of the Department of Public Safety. In 2001, NHP was part of the Department of Motor Vehicles and Public Safety (DMV & PS). During 2001, DMV & PS was split into two Departments: the Department of Motor Vehicles and the Department of Public Safety (DPS).

The Nevada Highway Patrol promotes safety on Nevada highways by providing law enforcement traffic services to the motoring public. NHP's statutory function is to execute, administer, and enforce traffic laws in conjunction with the Department of Motor Vehicles. Its responsibilities also include investigating traffic accidents and regulating motor carriers who transport cargo and hazardous materials on Nevada highways. Additionally, the agency provides security to the Governor and his family.

Agency's Organization

The NHP is divided into three commands. The Southern Command office is located in Las Vegas and is responsible for five substations in Clark County and other southern Nevada county locations. The Northern Command office is located in Reno and is responsible for six substations in Washoe County and other northern Nevada county locations. The Central Command office is located in Elko and is responsible for all other locations not assigned to the Southern and Northern Commands, which includes 13 substations. The three commands report to agency headquarters located in Carson City.

Staffing and Budget

NHP's budget for fiscal year 2007 included 579 authorized full-time equivalent positions from three budget accounts: Highway Patrol, NHP's main budget account; the Highway Safety Grant Account, which is used to record federal grant activity; and Dignitary Protection, which is used to record activities of personnel that provide security to the Governor and his family. The agency is primarily funded by Highway Fund

appropriations. Exhibit 1 shows funding source amounts and percents of total revenues for fiscal year 2007.

Exhibit 1

**Nevada Highway Patrol Revenues
By Source for Fiscal Year 2007**

	Revenues	% of Total
Highway Fund Appropriations	\$61,306,454	92.8%
Grants and Transfers	2,154,977	3.3%
Other Revenue & Reimbursements	1,518,579	2.3%
General Fund Appropriations	1,009,803	1.5%
Balance Forward	67,792	0.1%
Total Revenues	\$66,057,605	100.0%

Source: State's Accounting System.

Actual expenditures for fiscal year 2007 totaled \$65.3 million, with personnel costs accounting for 77% of the total. Exhibit 2 shows expenditures and percents of total expenditures for fiscal year 2007.

Exhibit 2

**Nevada Highway Patrol Expenditures
By Type for Fiscal Year 2007**

	Expenditures	% of Total
Personnel Services	\$50,308,907	77.0%
Operating Expenses	6,396,319	9.8%
Equipment and Vehicles	3,018,280	4.6%
Allocations and Assessments	2,167,671	3.3%
Grants & Programs	1,327,741	2.0%
Information Services	1,140,377	1.8%
Radio System	974,060	1.5%
Total Expenditures	\$65,333,355	100.0%

Source: State's Accounting System.

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 NHP's activities related to revenues, expenditures, and accountability over property and equipment from July 1, 2005, to December 31, 2006. The objective of our audit was to evaluate the NHP's financial and administrative activities, including whether activities were carried out in accordance with applicable laws, regulations, policies, and procedures.

Findings and Recommendations

The Nevada Highway Patrol generally complied with laws, regulations, policies, and procedures significant to its financial and administrative activities. However, we noted some problems related to personnel requirements, accountability over property and equipment, and credit cards.

Specifically, the agency did not comply with personnel requirements related to evaluating employee performance, agreements for how overtime will be compensated, and work performance standards. In addition, the agency did not perform annual physical counts of equipment or update state property records as needed. Finally, the agency has not maintained a complete, accurate record of fuel and other credit cards issued to employees, or reviewed invoices for reasonableness of charges.

Personnel Requirements Were Not Always Followed

The NHP did not comply with three personnel requirements. First, the agency did not conduct performance evaluations for about half of the employees tested. Second, it did not enter into written agreements with all employees that chose to accrue compensatory time in lieu of cash payment for overtime worked. Third, work performance standards have not been developed or provided to some of its classified employees. These personnel requirements are established by state laws and regulations. We also noted the misinterpretation of personnel regulations caused some small paycheck errors.

Performance Evaluations Were Not Completed

The NHP did not complete performance evaluations required by state law for some of the employees tested. We reviewed personnel files for 59 employees and found 26 (44%) 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 an 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 advancement. In addition, the agency may not have recourse if an employee performs below standard and an evaluation has not been done.

NHP management agreed that timely completion of performance evaluations has been a problem. In addition, they agreed there is a need to improve procedures so supervisors know when evaluations are due.

Compensatory Time Agreements Are Needed

The NHP did not always have written agreements with its employees to allow compensatory time in lieu of cash payment when overtime was worked. Of the 57 employees tested with compensatory time, 16 (28%) had not entered into an agreement with the agency. An additional seven employees, who signed a compensatory time agreement, accrued more than 120 hours of overtime. However, the agreements did not specifically authorize them to accrue more than 120 hours, as required by state regulations.

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. Regulations also limit accrual of compensation time to 120 hours unless there is specific authorization to accrue up to 240 hours. Once written agreements are signed, the agency 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, 2006, the NHP's liability for accrued compensation time was approximately \$540,000. This represents the amount owed to all NHP employees if they chose to be paid for their compensatory time.

NHP management indicated not obtaining compensatory time agreements was an oversight as the agreement is part of a new employee's hiring package. The Department of Public Safety recently adopted a standard agreement to be provided to all new employees, including those within NHP.

Work Performance Standards Were Not Developed

The NHP did not develop work performance standards for some of its classified employees. Of 59 employees tested, 14 (24%) did not have work performance standards, or a signed form indicating they have reviewed and understand their work performance standards. State laws and regulations require agencies to develop work performance standards for each position. In addition, Department of Public Safety policies require work performance standards be reviewed at least annually. Policies also require a copy of the signed standard be sent to the Department's Personnel section.

Work performance standards serve as a written statement of principal job assignments and the results expected from an employee. The lack of work performance standards increases the risk that an employee is unaware of job elements and expected results for satisfactory performance. In addition, standards serve as the basis for evaluating an employee's performance. Consequently, without established standards for rating purposes, it would be difficult to fairly evaluate an employee's performance.

NHP management indicated not developing work performance standards for all positions was an oversight. Management also indicated they are in the process of revising troopers' standards so they will ensure all troopers have signed the new standards.

Misinterpretation of Regulations Caused Small Paycheck Errors

Timesheets for NHP employees contained errors resulting in minor underpayments and overpayments to employees. In our review of 60 timesheets, 7 (12%) had payment errors during the pay period tested. Most of the errors occurred because NHP misinterpreted personnel regulations.

Personnel regulations state an employee must be paid 2 hours of call back pay when his employer calls him back to work during his scheduled time off. However, NHP gave employees the option of coding call back pay as overtime, which is inconsistent with personnel regulations and results in a minor overpayment. NHP management addressed the inconsistencies with payroll staff, after we brought it to their attention.

Other errors occurred because employees did not claim shift differential and supervisors did not note the errors before approving timesheets. State regulations require employees to provide an accurate accounting of hours worked and leave used. Although timesheets for staff are complex due to the 24-hours-a-day, 7-days-a-week nature of operations, regulations require supervisors to review timesheets to verify the accuracy of hours worked and leave used.

Recommendations

1. Improve controls to ensure employees are evaluated as required by state law.
2. Enter into written agreements when employees choose to accrue compensatory time in lieu of payment for overtime worked.
3. Ensure all employees have been provided work performance standards for their positions.
4. Seek clarification of personnel regulations when necessary to ensure timesheets are completed properly.

Controls Over Equipment Need Improvement

The NHP did not perform complete annual physical counts of its property and equipment. In addition, property inventory records were not reconciled or updated to reflect changes, such as additions, transfers, or dispositions of equipment. State laws require agencies to perform a physical count of equipment annually and reconcile the results to state inventory records so they can be updated. In addition, state agencies are required to notify the State Purchasing Division when changes occur. Accurate records are needed to help safeguard state resources from loss or unauthorized use.

Annual Physical Counts of Equipment Were Not Performed

With the exception of weapons, the NHP did not perform an annual physical count of equipment as required by statute. Management was unsure when a count was last performed. Physical counts of equipment and subsequent reconciliation to state records identify changes that need to be made to inventory records. Because counts were not completed, state records were not updated. Without accurate records of

equipment, the agency is at risk for theft or loss going undetected. During our testing of equipment and records, we noted the following inaccuracies:

- We were unable to physically locate 5 of 50 items tested, including 3 vehicles. Agency personnel and records confirmed NHP no longer owns these assets. However, NHP did not complete appropriate disposition reports to remove the assets from state records.
- Agency records did not show the correct location for 7 of 50 items we tested. Although these items were found at other locations throughout the state, equipment records had not been updated.
- Six of 53 items physically located at commands were not listed on state inventory records. Three of these items were not added to inventory records when they were initially acquired.

A contributing cause to the above problems is that NHP policies are outdated and have not been updated since NHP was part of DMV & PS. For example, policies address obsolete state practices because State Purchasing no longer distributes inventory lists to agencies. Current state practices require agencies to download inventory reports from the Data Warehouse, complete inventory counts, reconcile counts with inventory reports, and make corrections. Records returned to State Purchasing are then used to update official state records.

Weapons Records Were Not Always Updated

NHP has performed an annual physical count of its weapons, but did not submit property disposition reports to State Purchasing for lost, stolen, transferred, or excessed state property. Therefore, state records include weapons no longer held by the agency. State Purchasing updates statewide inventory records from property disposition reports completed and submitted by agencies.

For example, state records contain 103 weapons that the agency does not have anymore. The weapons have been removed from NHP's internal system used to track weapons in its possession. However, property disposition reports were not prepared because personnel mistakenly believed a permanent record needed to be maintained. Furthermore, state records and NHP's internal system include other weapons the agency does not have anymore. This includes:

- Eight lost or stolen weapons which NHP reported to the National Crime Information Center, a computerized database of criminal justice information used by all law enforcement agencies.
- Nine weapons that were transferred to the State Fire Marshal.

- Four weapons purchased by and belonging to other departmental agencies.

Assets transferred to other agencies, assets belonging to other agencies, and lost or stolen assets should be tracked through disposition reports submitted to State Purchasing so statewide inventory records can be updated. Agency personnel indicated they are unsure who is responsible for preparing property disposition reports. In addition, NHP policies do not specify who is responsible for completing the reports.

Recommendations

5. Conduct a complete count of property and equipment annually, reconcile counts to state property records, and notify State Purchasing when property is disposed of.
6. Update property and equipment policies and procedures to reflect current inventory procedures and to delineate persons responsible for submitting property disposition reports.

Controls Over Fuel and Other Credit Cards Are Weak

NHP does not have a complete, accurate record of fuel and other credit cards issued to employees. State policy and internal control standards require agencies to maintain reliable records. In addition, NHP does not always review fuel invoices for questionable charges prior to payment. The agency's fuel costs were nearly \$1.9 million in fiscal year 2007.

Although NHP did not have a list of fuel and other credit cards issued to employees before we began the audit, one was developed after our inquiries. However, the list was incomplete because the holder was not identified for more than 200 cards. After we brought the problems to management's attention, they took action to substantially reduce the number of credit cards issued to agency personnel.

During testing, we noted fuel card anomalies that NHP did not note or question prior to approving for payment. For example,

- Key information, such as vehicle numbers and mileage, were not included on invoices for some purchases. This information is needed to determine the reasonableness of fuel purchases.

- Fuel was purchased by an employee 9 months after he transferred to another DPS agency.
- Diesel was purchased for a gas-powered vehicle.
- Fuel was purchased in California.

Not reviewing invoices prior to payment increases the risk that errors may occur and go undetected. NHP management agreed to improve its control procedures for fuel and other credit cards.

Recommendations

7. Maintain an updated record of employees assigned fuel and other credit cards.
8. Review all fuel invoices for reasonableness prior to making payments.

Appendices

Appendix A Audit Methodology

To gain an understanding of the Nevada Highway Patrol (NHP), we interviewed NHP staff and reviewed statutes, regulations, policies, and procedures significant to the agency's operations. We also reviewed financial reports, prior audit reports, budgets, minutes of various legislative committees, and other information describing activities of the agency. Furthermore, we documented and assessed the agency's controls over revenues, expenditures, personnel, evidence vaults, and property and equipment.

To accomplish our objective, we randomly selected 120 non-payroll expenditure transactions and tested for proper recording, approval, and compliance with laws, regulations, policies, and procedures. In addition, we judgmentally selected a total of 10 expenditure transactions recorded in fiscal year 2005 to verify they were recorded in the correct fiscal year (based on which categories had the least amount of unexpended funds at the end of the fiscal year). We also reviewed credit entries to expenditures greater than \$10,000 (total of 18) to determine their propriety. We selected 30 contracts, based on dollar size, to test compliance with laws, regulations, and policies. Finally, we randomly selected 2 months of fuel and other credit card invoices to review reasonableness of charges.

To determine if contract service rates charged by NHP were reflective of NHP's costs, we recalculated and compared rates used. In addition, we randomly selected 10 revenue contracts and verified the correct rates were charged, and revenue was collected, deposited timely, and recorded in the correct fiscal year.

To determine if payroll expenditures were appropriate, we randomly selected timesheets for 60 employees processed during the 18 months ended December 31, 2006. Timesheets were selected from three budget accounts and tested for compliance with laws, regulations, policies, and procedures. We reviewed timesheets for accuracy in recording hours, including shift differential, overtime, and call back 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 NHP performed annual physical inventories. Based on inherent risk of loss or misuse, we judgmentally selected 50 items on inventory lists from NHP's three commands to confirm their existence. Similarly, we selected 50 additional items at NHP's commands and determined whether these items appeared on inventory lists. We randomly selected 15 vehicles and 20 firearms to determine compliance with NHP Directives. Additionally, we judgmentally selected 10 employees, based on where they worked, who carry a personal weapon to verify agency approval.

To determine if controls and security over evidence held by NHP were adequate, we selected 20 items from two vaults to confirm their existence. Similarly, we selected 20 evidence items in the vaults and determined whether these items appeared on vault inventory records. To test for compliance with policies and procedures, we selected 30 vault items released, 10 items disposed of, and 3 non-DPS evidence items. All of the samples related to evidence were judgmentally selected based on inherent risk of loss or misuse.

Our audit work was conducted from October 2006 to August 2007, 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 Public Safety and the Chief of the Nevada Highway Patrol. On December 14, 2007, we met with agency officials to discuss the results of the audit and requested a written response to the preliminary report. That response is contained in Appendix B, which begins on page 17.

Contributors to the report included:

Sandra McGuirk, CPA
Deputy Legislative Auditor

Richard A. Neil, CPA
Audit Supervisor

David Steele, CPA
Deputy Legislative Auditor

Stephen M. Wood, CPA
Chief Deputy Legislative Auditor

Appendix B

Response From the Nevada Highway Patrol

Jim Gibbons
Governor



Phillip A. Galeoto
Director

Colonel Christopher Perry
Chief

Highway Patrol Division

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December 24, 2007

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 the findings and recommendations of the legislative audit LA08-xx. I received the clarification from the exit conference on December 14, 2007. I am providing you with the written statement of explanation.

LA08-xx Recommendations:

1. Improve controls to ensure employees are evaluated as required by law.
 - a. **Recommendation Accepted**
 - b. Management is emphasizing the importance of timely evaluations and focusing on meeting our statutory obligations.
2. Enter into written agreements when employees choose to accrue compensatory time in lieu of payment for overtime worked.
 - a. **Recommendation Accepted**
 - b. The Department new-hire packets have been updated to include a current agreement form. A full audit of personnel files for all current employees has been conducted. Signed forms are being requested from the necessary employees.
 - c. Compensatory Time Accrual exceeding the 120-hour limitation – The Fiscal Unit publishes projections each month with relevant fiscal information. Upon request from the Chief, the projections now include a link to the monthly report identifying all employees with compensatory balances exceeding the 120 hour limitation. The Fiscal Unit sends the projections directly to the Chief, commands, and program commanders who are expected to address appropriately. Any concern of individuals continuing to carry balances over the 120-hour limitation is addressed through the Chief's office.
3. Ensure all employees have been provided work performance standards for their position
 - a. **Recommendation Accepted**
 - b. Management created a committee to review and update the sworn officer WPS. Upon approval and adoption of the new WPS, current officers will submit signed forms for retention in their personnel files. New officers will continue to sign their WPS upon arrival at their duty station.
4. Seek clarification of personnel regulations when necessary to ensure timesheets are completed properly.
 - a. Recommendation Accepted

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

(NSPO Rev. 3-07)

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- b. All timesheets submitted by HPD employees are reviewed for accuracy. Any discrepancies are reported through the Agency Timekeeper in headquarters to review and address. Applicable personnel regulations are consulted to determine the scope of the error. Recommended adjustments and relevant instructions are provided to the commands to execute. Ongoing training to individuals is provided through the commands.
5. Conduct a complete count of property and equipment annually, reconcile to state property records and notify State Purchasing when property is disposed of.
- a. **Recommendation Accepted**
 - b. General explanation: Management recognizes the importance of better inventory controls and has made significant progress in this area.
 - i. Internal Controls – The Internal Controls are being updated to reflect the current organizational structure and operational practices. The first draft was submitted to the Department for review and recommendations. The draft has been returned and the recommendations are under review. The Internal Controls address issues related to receiving, tracking, and surplus equipment.
 - ii. Standard Operating Procedures – The commands are drafting new standard operating procedures to identify how they will satisfy the requirements of the Internal Controls.
 - iii. Asset Database – The Division purchased an enterprise-wide hardware and software package, AssetWin, to enable better statewide management of inventory. AssetWin will allow authorized users to (1) add assets, (2) relocate assets, (3) maintain histories of assets, and (4) transfer assets within one statewide database. A history file in the application will track asset movement from one location to another. This software will be used to track non-fleet assets listed in the State of Nevada's Financial Advantage System as well as other assets of lower dollar value but of operational importance. The hardware and software have been installed and preliminary training provided. The commands are completing physical counts and will enter their physical count data once their standard operating procedures are completed. This database will be used to reconcile data with the state inventory records.
 - c. Property Disposition Reports – Management recognizes confusion about the process to surplus excess or obsolete equipment. The Internal Controls and command Standard Operating Procedures will clarify procedures and responsibilities. This should eliminate assets and surpluses remaining on the state's inventory records.
 - d. Incorrect Locations – The operations of the Division require mobile resources with short notice, especially in emergency deployment situations. Upon arrival at a new duty station, the officer is expected to be able to perform his duty with little orientation. To maintain this mobility, equipment is often assigned to an officer rather than a geographical location. When an officer transfers to a new assignment or location, it is expected the officer will retain the assigned equipment and arrive at the new duty station prepared for service. Maintaining the geographical location in the state's inventory records was not completed satisfactorily. AssetWin will enable equipment to be assigned to an officer while providing meaningful information when querying by asset type. Using AssetWin, the assets can be reconciled and better maintained in the state's inventory records.
 - e. Unlisted Assets – The commands are completing their physical counts of inventory. All items valued over \$1,000.00 will be added to AssetWin and reconciled with the state inventory records.
 - f. Lost or Stolen Weapons – The disposition reports for items entered into NCIC have been completed and submitted to State Purchasing for processing. As stated above, the Internal Controls and Standard Operating Procedures are being updated to articulate the process for inventory control to ensure this confusion is addressed.
 - g. Transferred Weapons – The transfer of weapons to the State Fire Marshal was a temporary event. Arrangements are being made for the return of the weapons to the Highway Patrol Division.

- h. Other Division Assets – As part of the weapons replacement cycle, other Divisions replaced their weapons in conjunction with the Highway Patrol Division to maximize the value of the contract. While these weapons were purchased by the other Divisions using unique purchase orders and related funding, the weapons are in service at the same facility as the Highway Patrol Division headquarters. The Divisions have been contacted to relocate their assets to a more suitable location in the state's inventory records.
- 6. Update property and equipment policies and procedures to reflect current inventory procedures and to delineate persons responsible for submitting property disposition reports.
 - a. **Recommendation Accepted**
 - b. As stated above, the Internal Controls and Standard Operating Procedures are being updated to identify persons responsible for each phase of inventory controls.
- 7. Maintain an updated record of employees assigned fuel and other credit cards.
 - a. **Recommendation Accepted**
 - b. As stated above, AssetWin will enable tracking of all assets assigned to an officer. This includes assets such as weapons and items of operational importance such as credit cards.
 - c. As an interim solution, Management has cancelled all fuel cards and reissued cards unique to the appropriate budget accounts. All former employees attempting to use older fuel cards will be denied. The next phase will be to reissue fuel cards by individual and track such issuance through AssetWin.
- 8. Review all fuel invoices for reasonableness prior to making payments.
 - a. **Recommendation Partially Accepted**
 - b. With the exception of the NDOT fuel invoices, the Fiscal Unit reviews all fuel invoices for reasonableness prior to making payments. Any unusual expenses are submitted to the fleet administration for review and direction. This would be for items such as a car wash, a quart of oil, or diesel fuel. While officers are directed to use NDOT fueling stations when/ where possible, the use of the multiple fuel sources makes it difficult to establish a comprehensive transaction history by officer or vehicle.
 - c. NDOT fuel invoices are not able to be reviewed for reasonableness prior to payment for several reasons:
 - i. NDOT fuel invoices contain such a large volume of individual transactions that auditing for variances would be difficult to complete prior to payment.
 - ii. NDOT fuel invoices include all transactions NDOT received and processed as of the billing cutoff. Invoices routinely include transactions from previous billing periods for a variety of reasons, including technological limitations in rural posts. Auditing partial transaction histories would result in many false negative variances and reduced marginal returns to audits. Compiling all transactions from all fuel sources for multiple overlapping billing periods would be labor intensive. However, the transaction history would need to be compiled to develop a comprehensive transaction history for a vehicle or officer. The transaction history would also need to be compiled for vehicles and officers of similar numbers to identify possible errant entries. Unfortunately, the supporting information captured varies among the fuel sources making a complete compilation of transactions by vehicle or officer extremely difficult.
 - iii. As noted in the Executive Summary, NDOT fuel invoices routinely include transactions with partial or no supporting information such as officer, vehicle or mileage. This is almost always the case for transactions at non-automated rural posts. NDOT indicated when this information is not provided on the fuel invoice, it could not be provided. Whereas this information is required to determine reasonableness of fuel purchases, many audit findings would not be sustainable and the cost would exceed the value of the audit findings.

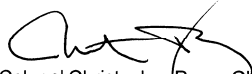
Given the volume of transactions (generally under \$50.00 each), invoices containing overlapping dates, multiple fuel sources with varying supporting information, and missing and unavailable supporting information for transactions, reviewing the NDOT fuel invoices for reasonableness prior to payment is not feasible. Management will evaluate the feasibility of

providing data to supervisors for sample audits and pursuing adjustments through NDOT as discrepancies are identified.

- d. As stated above, AssetWin will enable better statewide tracking of assets assigned to officers. This includes fuel cards assigned to officers. A termination or transfer will result in all assets assigned to an officer to be addressed as appropriate.
- e. Whereas a fuel card was assigned to an officer and not a vehicle, it is conceivable for an officer to purchase diesel fuel using a card presumed to be for a gasoline powered vehicle on the NDOT fuel invoice. An example of an appropriate event would be when an officer from Elko is commuting to Reno for training and uses the Elko diesel truck to pick up a trailer in Reno. Another example is when an officer is assigned to accident reconstruction. The officer may drive to NDOT to refuel the truck with gasoline. Using the same card, the officer may refuel a trailer containing a diesel generator to power the light pole used to illuminate an accident scene. Auditing these rare events require sufficient data on the NDOT fuel invoice which may be a concern as stated above. Given the infrequency and expense involved, it may not be fiscally prudent to research these events.

Please contact me if you have any questions.

Sincerely,



Colonel Christopher Perry, Chief
Department of Public Safety – Highway Patrol Division

CP:jb

Cc: Phillip Galeoto, Director, Department of Public Safety
Kathalie Koche, Executive Officer to the Director, Department of Public Safety

Nevada Highway Patrol Response to Audit Recommendations

<u>Recommendation Number</u>		<u>Accepted</u>	<u>Rejected</u>
1	Improve controls to ensure employees are evaluated as required by state law	<u> X </u>	<u> </u>
2	Enter into written agreements when employees choose to accrue compensatory time in lieu of payment for overtime worked	<u> X </u>	<u> </u>
3	Ensure all employees have been provided work performance standards for their positions.....	<u> X </u>	<u> </u>
4	Seek clarification of personnel regulations when necessary to ensure timesheets are completed properly	<u> X </u>	<u> </u>
5	Conduct a complete count of property and equipment annually, reconcile counts to state property records, and notify State Purchasing when property is disposed of.....	<u> X </u>	<u> </u>
6	Update property and equipment policies and procedures to reflect current inventory procedures and to delineate persons responsible for submitting property disposition reports	<u> X </u>	<u> </u>
7	Maintain an updated record of employees assigned fuel and other credit cards.....	<u> X </u>	<u> </u>
8	Review all fuel invoices for reasonableness prior to making payments	<u> X* </u>	<u> </u>
	TOTALS	<u> 8 </u>	<u> 0 </u>

* Partially accepted. See "Auditor's Comments on Agency Response" on page 22 for additional discussion.

Appendix C

Auditor's Comments on Agency Response

Although we requested that NHP respond to our audit report by either accepting or rejecting our recommendations, NHP management has only partially accepted one of our recommendations. The following identifies the recommendation that was only partially accepted. We have provided our comments on the issue raised in NHP's response to assure the reader that we believe our recommendation, as stated in the report, is appropriate.

1. NHP partially accepted our recommendation to review all fuel invoices for reasonableness prior to making payment. NHP indicated it can review all fuel invoices, except NDOT invoices. It further indicated that reviewing NDOT invoices is not feasible for several reasons, including the large volume of transactions. (See page 19)

Legislative Auditor's Comments

As stated on page 13, NHP does not always review fuel invoices for questionable charges prior to payments. The agency's fuel costs were nearly \$1.9 million in fiscal year 2007. Fuel purchased through NDOT comprised about \$1.5 million of total expenditures. The average amount of NDOT fuel invoices was about \$125,000 per month in 2007. Due to the large amount of fuel expenditures at NHP, we believe it is prudent to review the invoices prior to making payment. Not reviewing invoices increases the risk that errors or inappropriate charges may occur and go undetected. We will continue to work with NHP throughout the audit follow-up process to strengthen NHP's review of fuel invoices.