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We have completed an audit of the Division of Forestry. 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 Division's response, are presented in this report.

We wish to express our appreciation to the management and staff of the Division of Forestry 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 26, 2002
Carson City, Nevada

STATE OF NEVADA
DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES
DIVISION OF FORESTRY

AUDIT REPORT

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DEPARTMENT OF CONSERVATION & NATURAL RESOURCES
DIVISION OF FORESTRY

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EXECUTIVE SUMMARY

DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES DIVISION OF FORESTRY

Purpose

The purpose of this audit was to determine if the Division of Forestry established sufficient controls to ensure expenditures were appropriate and in accordance with applicable laws, regulations, and procedures. This audit included charges to the Fire Suppression Account and Division payroll expenditures for the 18 months ended December 31, 2001.

Results in Brief

The Division of Forestry has implemented controls over expenditures paid from the Fire Suppression Account since our last audit. However, these controls did not ensure reimbursable expenditures were properly billed. Consequently, the Division did not recover about \$300,000 in reimbursable expenditures from federal agencies. Furthermore, procedures did not ensure expenditures were supported by adequate documentation. Without adequate documentation, the Division is at risk of paying for services or goods it did not receive. Additionally, some purchasing procedures created unnecessary paperwork.

The Division's current payroll process does not provide sufficient controls to ensure payments are proper. Although timesheets were subjected to an extensive review process, they contained numerous reporting errors. As a result, county payroll expenditures were charged to the state, employees received over and under payments, and overtime payments were not always supported by required documentation. These problems can be attributed to a complicated, cumbersome, and inefficient reporting process, as well as, inadequate training and supervisory review. While the Division has taken some corrective action to

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improve the payroll process, additional improvements are needed.

Principal Findings

- The Division provides reimbursable support services to federal and other state firefighting agencies. Since these reimbursable expenditures account for the majority of Fire Suppression Account activity, procedures should ensure these expenditures are properly billed. However, we found expenditures totaling nearly \$320,000 that had not been billed and about \$20,000 over billed. (page 9)
- During the 18 months ended December 31, 2001, the Division paid federal agencies \$2.4 million for fire suppression support services. However, these expenditures did not always have adequate documentation to support the amounts paid. Of the 10 invoices we examined, 9 totaling approximately \$617,000 did not have sufficient documentation to determine if all charges were appropriate. (page 11)
- Division procedures require a purchase order for any expenditure resulting from an emergency incident. However, half of the expenditures we tested did not have purchase orders. Purchase orders were not completed since the authorization of most emergency expenditures is also documented in dispatch logs. Therefore, preparing purchase orders for all emergency expenditures is inefficient since it can result in unnecessary paperwork. (page 13)
- Some firefighters' overtime and holiday premium pay resulting from non-emergency activity was inappropriately charged to the State. Although the amount of overtime paid is not readily available, approximately \$37,000 in holiday premium pay was

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charged to the Fire Suppression Account. Firefighter's payroll costs resulting from normal station coverage should be charged to the county funded Intergovernmental Agreement Account. (page 14)

- Of the 100 timesheets we tested, 61 contained from 1 to 5 errors. Errors included double counting of hours, pay premiums recorded incorrectly, and overtime worked but not paid. As a result, some employees received over and under payments. We also found overtime was approved after it was worked, insufficient documentation to support overtime, and errors regarding overtime codes. It is essential payroll costs are controlled through proper approval and accurate recording. (page 15)
- Work schedules and the Division's payroll reporting procedures contributed to paying dispatchers incorrectly. As a result, some dispatchers received compensation for 80 hours whenever their schedule resulted in working 64 hours. Furthermore, some dispatchers were overpaid for overtime when their scheduled workweek exceeded 40 hours, while others did not receive compensation for the additional hours. Finally, dispatchers recorded overtime before working a 40-hour week. The Division has since revised dispatcher schedules to ensure they work 40 hours each week. However, additional procedures are needed to ensure the consistent application of time reporting requirements. (page 17)
- The correct interpretation and consistent application of laws and regulations, as well as improved communication, will help reduce the number of payroll errors. The Division did not properly compensate employees because it did not always interpret state laws and regulations correctly. In addition, employees qualifying for certain pay premiums such as differentials for shifts, did not always receive the same compensation as others who qualified. Finally,

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changes in regulations and procedures were not always communicated to personnel in a timely manner. (page 20)

- Reducing the number of timekeeping documents will also help improve the accuracy of the Division's payroll process. Employees prepared as many as four timesheets each pay period plus a timekeeping report for each emergency response. Therefore, numerous documents had to be reviewed and processed. As a result, reporting errors were not always detected. (page 21)
- Streamlining the timesheet review process can help ensure employees are paid promptly. Because of an inefficient review process, some timesheets took months to process. The lengthy process also contributed to employees submitting a duplicate timesheet and being paid twice for the same hours. While the Division has since revised the review process, additional action is needed. (page 23)
- An automated timekeeping and incident reporting system can also help improve the efficiency and effectiveness of the Division's payroll and billing process. Although the Division has an automated system in the Western Region that can produce timesheets and billings, it is not used for these purposes. Our analysis of the system's timekeeping function indicates it provides the essential information needed for the state's payroll system. In addition, it is capable of expediting the billing process. Therefore, the Division should continue to evaluate the system and determine if the timekeeping and billing components should be implemented on a statewide basis. (page 26)

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**DEPARTMENT OF CONSERVATION
AND NATURAL RESOURCES
DIVISION OF FORESTRY**

Recommendations

This report contains 12 recommendations to help ensure fire suppression and payroll expenditures are appropriate and in compliance with applicable laws, regulations, and procedures. Specifically, policies and procedures are needed to ensure fire suppression expenditures are properly billed and supported by sufficient documentation, and fire supply inventories are properly safeguarded. The Division also needs to reevaluate its purchase order process and eliminate unnecessary procedures. To improve the Division's payroll process, procedures should be revised to ensure all payroll expenditures are charged to the proper account and employees are paid in accordance with applicable laws and regulations. In addition, the Division should consolidate the regular and fire suppression timesheets into one document, streamline the timesheet review process, provide on-going payroll training, and ensure supervisors conduct accurate and timely reviews. The Division should also determine if its automated incident reporting system can help improve the efficiency and effectiveness of the payroll and billing process. (page 41)

Agency Response

The agency, in its response to our report, accepted all 12 recommendations. (page 36)

Introduction

Background

The Nevada Division of Forestry (NDF) is responsible for protecting property and natural resources through fire protection, prevention, and suppression. The Division also provides other related emergency services as required. In addition, the Division manages and coordinates all forestry, nursery, endangered plant species, and watershed resource activities on certain public, state, and private lands.

The Division is organized into three regions, Western, Northern, and Southern; with state headquarters in Carson City. Within the three regions, the Division has direct fire protection responsibilities for approximately 8.8 million acres throughout the State. The Division also provides initial attack, fire investigation, and direct protection capabilities to portions of the Humboldt – Toiyabe National Forest. Resources at risk on these lands include private and commercial structures, standing timber, forage, watershed, wildlife, livestock, and recreational sites.

The Division responded to 3,180 incidents in fiscal year 2001. Exhibit 1 shows fire and other emergency incidents for fiscal years 1997 through 2001.

Exhibit 1

Incident Statistics for Fiscal Years 1997 Through 2001

	1997	1998	1999	2000	2001
NDF Total Fire Incidents	547	503	621	620	551
NDF Incidents Other ⁽¹⁾	2,079	1,564	721	1,784	2,112
Assists	487	650	1,526	863	517
Total NDF Responses	3,113	2,717	2,868	3,267	3,180
NDF Wildland Fires	75	141	234	321	182
Total Nevada Wildland Fires	703	740	1,152	1,171	1,277
Percentage NDF Wildland Fires to Total	11 %	19 %	20 %	27 %	14 %
NDF Acres Burned	418	1,989	2,162	115,536	22,069
Total Nevada Acres Burned	44,825	87,563	1,870,285	699,210	654,253
Percentage NDF Acres Burned	1 %	2 %	0.1 %	17 %	3 %

(1) Other incidents include medical aid, transportation accidents, hazardous materials, search and rescue, emergency staffing, and support incidents.

Source: Nevada Division of Forestry reports

The Division accomplishes its responsibilities through the use of five budget accounts. Exhibit 2 provides a brief description of each budget account.

Exhibit 2

Division Budget Accounts

Budget Account Title	Program Description	Funding Source
Forestry Administration	Manages and coordinates the Division's resource and fire management activities on public and private lands. Also provides support to the Division's other budget accounts.	General Fund appropriations and federal grants, county assessments and reimbursements.
Forest Fire Suppression/Emergency Response	Provides funding and authority to pay expenses incurred during fire suppression and other emergency responses.	General Fund appropriations, reimbursements, Reserve For Statutory Contingency Account, and the State Contingency Fund.
Forestry Honor Camps	Coordinates and supervises forestry and conservation work projects performed by inmates.	General Fund appropriations, project revenues and reimbursements.
Forestry Inter-governmental Agreement	Provides initial response to fires or other emergencies which threaten human life. Budget is approved by local governments annually.	County assessments, federal funds and reimbursements.
Forestry Nurseries	Responsible for statewide planning, administration and implementation of nursery management.	Sales of wood and plant materials.

Source: Executive Budget and Nevada Division of Forestry

The Division expends the majority of its funds for personnel costs. As of December 31, 2001, the Division had 212 employees. Exhibit 3 compares each budget account's total expenditures for fiscal year 2001 to payroll cost.

**Fiscal Year 2001
Percent of Payroll Expenditures**

Budget Account	Total Expenditures	Payroll Expenditures	Payroll as a Percentage of Total
Forestry Administration	\$ 3,897,496	\$ 2,647,694	68%
Forest Fire Suppression/Emergency Response ⁽¹⁾	8,170,794	2,048,158	25%
Forestry Honor Camps	6,511,270	5,228,336	80%
Forestry Intergovernmental	5,447,407	4,502,383	83%
Forestry Nurseries	310,670	128,206	41%
Total	\$ 24,337,637	\$ 14,554,777	60%

(1) Payroll expenditures are limited to overtime charges related to emergency incidents.
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 the Division's controls and procedures over preparing, reviewing, processing, and recording fire suppression expenditures and payroll documents for the 18 months ended December 31, 2001. The objective of our audit was to determine if charges to the Fire Suppression Account and Division payroll expenditures were appropriate and in accordance with applicable laws, regulations, and agency procedures.

Findings and Recommendations

Fire Suppression Expenditure Controls Are Not Adequate

The Division has implemented controls over expenditures paid from the Forest Fire Suppression/Emergency Response (Fire Suppression) Account since our last audit. However, these controls did not ensure reimbursable expenditures were properly billed. Consequently, the Division did not recover about \$300,000 in reimbursable expenditures from federal agencies. Furthermore, procedures did not ensure expenditures were supported by adequate documentation. Finally, some purchasing procedures created unnecessary paperwork.

Fire Suppression Account expenditures are limited to those necessary for fire protection and forest and watershed management caused by any fire or other emergency. Funding for these expenditures is provided by General Fund appropriations, reimbursements, and allocations from the Reserve For Statutory Contingency Account and the State Contingency Fund. Because of the difficulty in budgeting for emergency expenditures, it is critical that all reimbursable expenditures are properly billed and only appropriate expenditures are charged to the account.

Reimbursable Expenditures Not Properly Billed

Although the Division has implemented procedures to improve the billing process, we identified nearly \$320,000 in expenditures that were not billed and approximately \$20,000 that were over billed. The Division provides support services to other firefighting agencies including the United States Forest Service (USFS), the Bureau of Land Management (BLM), and other states. Expenditures incurred supporting these agencies are reimbursable and account for the majority of Fire Suppression Account activity. For instance, the Division received reimbursements totaling about \$7.1 million while expenditures totaled approximately \$10.6 million during the 18 months ended December 31, 2001.

In our prior audit, we found inappropriate and questionable expenditures charged to the Fire Suppression Account. In response to our recommendations, the Division developed policies and procedures for fire suppression expenditures. Therefore, we

examined expenditures totaling \$1.8 million from the 18 months ended December 31, 2001, to determine if they were appropriately charged to the account as required by the Division's procedures. In addition, we determined if these expenditures were reimbursable and subsequently billed. Although all expenditures were the result of fire suppression and other emergency activity, the Division did not bill several reimbursable expenditures. Exhibit 4 shows the amount of the unbilled expenditures including the responsible federal agency, and the type of resource provided.

Exhibit 4

Fire Suppression Expenditures Not Billed

Responsible Agency	Resource	Amount
USFS	Fire crew	\$ 5,129
BLM	Fire Crew	2,097
BLM	NNG* labor	23,357
BLM/USFS	Landing fees	4,680
BLM	NNG equipment	66,960
USFS	NNG equipment	217,008
Total		\$ 319,231

* Nevada National Guard (NNG)

Source: Nevada Division of Forestry accounting records

Division procedures require regional personnel to prepare various reports for each emergency incident. Included in the reporting package is a financial summary of the costs incurred. If the incident is billable, regional accounting employees compare the financial summary to supporting documentation. Billable incidents that exceed \$50,000 are also reviewed by the Regional Manager to ensure all billable costs have been captured. The billable incident reports are then forwarded to the Division's central accounting office in Carson City for additional review and billing. To ensure the bill includes all reimbursable expenditures, the financial summary is reconciled to a transaction register. This register identifies by incident number, all Fire Suppression Account expenditures that have been paid. However, this reconciliation process did not ensure expenditures paid subsequent to the billing date would be billed. In addition to

this weakness, Division personnel informed us that staff turnover contributed to the failure to bill the Nevada National Guard expenditures.

The Division prepared billings totaling \$283,968 for the National Guard's equipment after we notified them of these errors. Fiscal staff indicated the remaining amounts would be billed when year-end reconciliations are performed. Because of these errors and other concerns with incident reports, the Division is currently reviewing the billing process.

Supporting Documentation Not Always Sufficient

Fire Suppression Account expenditures did not always have adequate documentation to support the amounts paid. Without adequate documentation the Division is at risk of paying for services or goods it did not receive. Furthermore, procedures have not been developed to ensure firefighting supplies are safeguarded.

Federal Invoices

During the 18 months ended December 31, 2001, the Division paid the BLM, USFS, and the Nevada National Guard \$2.4 million for fire suppression support services. Payments to the BLM and USFS were for incidents that occurred on lands within the Division's jurisdictional boundaries, while NNG payments were for Division and federal fires. Of the 10 invoices we examined, 9 totaling approximately \$617,000 did not have sufficient documentation to determine if all charges were appropriate.

The cooperative agreement between the Division, USFS and BLM requires certain documentation be included with each bill to support reimbursable charges. Documentation must include:

- Bill for collection,
- Narrative cover letter,
- Fire suppression cost summaries, and
- Copies of resource orders and other supporting documentation.

Bills must also be broken down by categories such as direct labor and equipment costs, air support, and retardant. The NNG is also required to submit timekeeping records for personnel and equipment for each incident. Timekeeping records include a form documenting the flight activity for each aircraft used on a fire; however, most federal billings fell short of these requirements. For example:

- A USFS billing totaling \$118,000 did not contain required cost summaries. In addition, the supporting documentation did not provide sufficient information regarding the source of these charges. Documentation consisted of a print-out from a fire payment database. As a result, the Division's regional manager responsible for reviewing the bill could not verify many of the charges.
- A BLM bill totaling approximately \$93,000 did not include resource orders. Furthermore, the documentation included costs such as travel expenditures payable to a bank and contract services for air operations without information justifying amounts charged.
- Five NNG bills totaling about \$303,000 for aircraft charges were not supported by any flight time documentation even though some charges exceeded \$3,000 an hour.

Poor documentation increases the risk inappropriate charges may have been included in the bills and subsequently paid.

Fire Supplies Inventory

After each fire season, the Division replaces certain firefighting supplies and tools. Since these purchases may cost thousands of dollars, procurement controls should be in place to ensure payments are proper. However, of the four invoices we examined, three totaling more than \$106,000 lacked required receipting documentation. The Division's purchasing procedures required all documentation supporting the receipt of goods be forwarded to fiscal staff for processing. Without adequate documentation supporting the receipt of goods, the Division is at risk of paying for items it never received.

In addition to insufficient receipting documentation, we noted weaknesses in the physical controls over fire supply inventories. Conservation camps in each region store and distribute these supplies to firefighting personnel as necessary. Supplies include, firefighting apparel, gloves, batteries, tents, sleeping bags, and hand tools used by Division personnel during wildland fire season. Many of these items can be easily converted to personal use; therefore, it is important they are properly safeguarded. However, the Division has not established procedures for the receipt, maintenance, or distribution of fire supplies. As a result, the camps' methods of storing, issuing, and accounting for the supplies do not always ensure they are adequately safeguarded. Additionally, periodic counts are not always conducted to ensure supplies agree to

inventory totals. Without adequate physical controls, inventory items are at an increased risk for loss or theft.

Expenditures Did Not Always Comply With Purchasing Procedures

Expenditures charged to the Fire Suppression Account were not always in compliance with the Division's purchasing procedures. The Division requires a purchase order for any resource needed for an emergency incident. However, half of the expenditures we tested did not have purchase orders. Although purchase orders can help ensure expenditures are appropriate, they are not necessary for all fire suppression transactions.

Our prior audit found charges to the Fire Suppression Account that were inappropriate or questionable. These charges included equipment expenditures that should have been charged to the Forestry Administration Account and repairs to vehicles not reported as being at an incident. While the Division substantially improved the written policies and procedures over the Fire Suppression Account, they did not ensure they were followed.

Staff indicated a purchase order is not necessary for each emergency expenditure because dispatch logs document similar information. These logs substantiate the appropriateness of many expenditures paid from the Fire Suppression Account. Therefore, preparing purchase orders for certain expenditures is redundant and results in the inefficient use of staff resources.

Recommendations

1. Develop policies and procedures to ensure all reimbursable fire suppression expenditures are billed.
2. Ensure all charges to the Fire Suppression Account are supported by sufficient documentation.
3. Develop policies and procedures for the physical control of fire supply inventory.
4. Reevaluate the purchase order process and ensure purchasing procedures are complied with.

Payroll Process Did Not Ensure Proper Payments

The Division's payroll process did not provide sufficient controls to ensure payments were proper. Although timesheets were subjected to an extensive review process, they contained numerous reporting errors. As a result, county payroll expenditures were charged to the State, employees received over and under payments, and overtime payments were not always supported by required documentation.

Payroll Costs Inappropriately Charged to State

Some overtime and holiday premium pay (HPP) resulting from routine operations was inappropriately charged to the Fire Suppression Account. Although the amount of overtime paid is not readily available, we identified approximately \$37,000 in holiday premium pay that was inappropriately charged to the State. The Fire Suppression Account should be charged for overtime and other related payroll costs incurred because of an emergency incident. However, firefighter payroll expenditures resulting from normal operations should be paid from the county funded Intergovernmental Agreement Account.

Division firefighters that work 24-hour shifts are paid from the Intergovernmental Agreement Account. This account is supported by assessments from certain counties based on annual budgets prepared by the Division. Included in annual budgets are funds to pay firefighter payroll premiums when working on a holiday, and overtime when covering a shift for an employee on leave. However, firefighters did not always charge these expenditures to this budget account. When responding to an incident on a holiday or when filling in for another firefighter, they incorrectly charged the Fire Suppression Account for time spent on the incident.

Division management indicated payroll costs due to routine and planned operations should be paid from the Intergovernmental Agreement Account. In addition, the Division's written procedures require firefighters charge the Fire Suppression Account for all emergency incidents that qualify for paid overtime or HPP. An emergency incident occurring when a firefighter covers a shift or works a holiday is not the event that qualifies the firefighter for overtime or HPP pay. However, payroll staff have interpreted this procedure to mean all overtime and HPP related to an emergency incident should be charged to the Fire Suppression Account. These payroll costs were

not caused by an incident. Instead, they occurred as part of the Division's normal activities and should not be charged to the Fire Suppression Account.

Majority of Timesheets Had Errors

The majority of timesheets we reviewed contained reporting errors. Errors included double counting of hours, pay premiums recorded incorrectly, and overtime worked but not paid. As a result, some employees received over and under payments. We also found overtime was approved after it was worked, documentation was not sufficient to support overtime, and overtime was coded incorrectly. Payroll costs must be controlled through proper approval and accurate recording.

To determine if payroll expenditures were in accordance with laws, regulations, and procedures, we examined 100 timesheets from the Division's four major budget accounts. Specifically, we tested for compliance with 1) laws and regulations regarding overtime, pay premiums, holidays, and timesheet accuracy;¹ and 2) Division policies and procedures including timesheet submission deadlines, overtime codes, and non-emergency overtime approval. Of the 100 timesheets we tested, 61 contained from 1 to 5 errors. Furthermore, we examined additional timesheets for selected employees that had significant overtime and other pay premiums. Many of the problems noted are the result of a cumbersome process and inadequate training and review.

Following are examples of timesheet errors that resulted in under and over payments:

- Premium pay for working a holiday was recorded on separate timesheets. As a result, the employee was paid twice for the same holiday, resulting in a \$200 overpayment. Another employee was overpaid \$350 because 11 hours of overtime were recorded on separate timesheets.
- An employee recorded 32 hours of standby and 16 hours of overtime pay for one day. As a result, the employee was overpaid for 24 hours of standby pay. We found 19 instances where this employee was allowed to account for more than 24 hours in a day resulting in standby overpayments ranging from ½ hour to 24 hours.
- Employees did not record or receive shift differential payment on holidays even though their shifts qualified for the pay premium.
- One employee received preauthorization to work approximately 10 hours of overtime throughout the week. Although the employee's timesheet

¹ See Appendix C for a list and description of the applicable laws and regulations.

indicates she worked 12.25 hours of overtime, she recorded only 10 hours.

Besides incorrect payments, we found overtime was not always properly approved. State law requires overtime be approved in advance. Furthermore, Division procedures state all non-emergency overtime requests must be signed and approved by the employee's immediate supervisor prior to being worked. However, the Division did not always comply with these requirements. As a result, seven employees worked overtime prior to receiving supervisory approval. In one instance, the supervisor did not approve the overtime until 41 days afterward. Pre-approval of non-emergency overtime is essential to ensure costs are necessary.

Timesheets also lacked adequate documentation to determine if the time spent responding to a wildland fire was accurate. To help ensure the health and safety of firefighting personnel, federal guidelines require fire management personnel provide an opportunity for a minimum of 1 hour of rest for every 2 hours of work. Any shift exceeding 16 hours requires documented pre-approval. In addition, Division procedures require the supervisor of an inmate fire crew to obtain written justification from the fire incident commander when working more than 16 hours in one day. Despite these requirements, four crew supervisor timesheets did not have documentation justifying shifts exceeding 16 hours. In one instance, the crew supervisor reported working 63.5 continuous hours without a rest period. Furthermore, one firefighter recorded 65.5 continuous hours of regular and overtime compensation. Although the firefighter responded to multiple incidents during this period, there was no documentation supporting why he was authorized to accumulate more than 16 hours per day. While the hours reported by these personnel may have been valid, justification for excessive work periods should be adequately documented.

Finally, overtime was not always coded accurately. During the 18 months ended December 31, 2001, the Division had 64 overtime codes, of which 10 were for emergency incidents. While inaccurate overtime codes do not affect the employee's pay, it can result in the failure to bill all payroll costs to a reimbursable incident. In addition, coding errors result in inaccurate accounting records needed to track how the Division incurs overtime. The Division has since reduced the number of codes from 64

to 31. While fewer codes are beneficial, additional training and better supervisory review will help improve coding accuracy.

Dispatchers Received Incorrect Payments

Work schedules and the Division's payroll reporting procedures contributed to the Division paying dispatchers incorrectly. As a result, some dispatchers received compensation for 80 hours whenever their schedule resulted in a 64-hour pay period. Furthermore, some dispatchers were overpaid for overtime when their scheduled workweek exceeded 40 hours, while others did not receive any compensation for the additional hours worked. Finally, dispatchers received overtime before working a 40-hour week.

The Division has dispatch centers in Elko and Minden. Each center was staffed with three dispatchers who worked 16-hour shifts on varying days. Dispatchers operate communication equipment and dispatch personnel, supplies, aircraft and mobile equipment to fire and other emergency incidents. Their shifts began at 8:00 a.m. and ended at 8:00 a.m. the following day, with an 8 hour sleep period. These variable shifts resulted in dispatchers working either 64, 80, or 96 scheduled hours in a biweekly pay period.

64-Hour Biweekly Pay Periods

Dispatcher shifts occasionally resulted in biweekly periods where only 4 days were worked for a total of 64 hours. However, dispatchers were paid for 80 hours each biweekly pay period. Despite this problem, management had not established procedures to ensure dispatchers properly accounted for the 16-hour variance. As a result, dispatchers in the Elko center did not account for the shortage. Furthermore, employees in the Minden center used various methods to account for the hours.

Elko dispatchers began working 16-hour shifts in June 2000. These shift schedules resulted in a 64-hour biweekly period about 9 times a year. However, the Division's procedures did not require dispatchers work additional hours when this occurred. As a result, each dispatcher was overpaid an average of 141 hours and approximately \$2,000 during fiscal year 2001.

In contrast to the Elko employees, Minden dispatchers usually accounted for the 16-hour shortage by working additional shifts. However, they also used annual,

compensatory, or sick leave on days off to account for any shortage. According to Department of Personnel staff, leave can only be used on scheduled workdays. Because the Division did not provide written guidance, the Minden employees used earned leave to account for 80 hours of pay.

Workweeks Exceeding 40 Hours

Dispatchers also worked three regularly scheduled days in a week, resulting in a 48 hour workweek. State and federal laws require overtime payments after employees work 40 hours in each workweek. Despite these requirements, dispatchers were not correctly compensated. They were partially compensated for the 8 hours of overtime in their 80 hours of regular pay. Therefore, the Division should have prepared a payroll adjustment for the remaining overtime wages as required by Department of Personnel payroll procedures. However, the Division did not prepare the adjustments. Furthermore, the two dispatch centers accounted for the overtime in different manners.

Minden dispatchers, for the most part, received overpayments when they worked 48-hour weeks. In accordance with Division procedures, they recorded 8 hours of overtime, the equivalent of 12 hours ($8 \times 1.5 = 12$) of regular pay. Because they had received compensation for 8 of these hours in their regular pay (48 hour week + 32 hour week = 80 hours), the Division's fiscal staff should have submitted an adjustment for 4 hours of regular pay. Consequently, Minden dispatchers were overpaid by 8 hours each time they worked a 48-hour week. Elko dispatchers, on the other hand, were never compensated for working weeks exceeding 40 hours, thus they were under paid by 4 hours. As a result, the U.S. Department of Labor has since requested the Division conduct a voluntary audit regarding this issue.

Overtime Prior to Working 40 Hours

Because dispatchers work a variable workweek, they are eligible for overtime payment only after working 40 hours in one week. However, dispatchers in both centers were allowed to record overtime prior to being eligible. For instance, one dispatcher was scheduled to work Wednesday and Saturday for a total of 32 regular hours for that week. This dispatcher also worked 8.5 hours on Sunday to cover another employee's shift. Instead of recording $\frac{1}{2}$ hour of overtime for Sunday, the dispatcher recorded 8.5 hours. Division payroll procedures state dispatchers are not eligible for

overtime payment prior to 40 hours; however, the Division did not ensure dispatchers were paid in accordance with procedures and state law.

Sleep Period Overtime for Shift Fill-Ins

Occasionally dispatchers worked less than a full shift when filling in for another employee on leave. Because the Division did not have adequate written procedures regarding the sleep period from 10:00 p.m. to 6:00 a.m., each dispatch center accounted for this time differently. Minden dispatchers recorded overtime for the entire sleep period when working less than a 16-hour shift. For example, a dispatcher reported to work at 9:00 a.m. to cover 15 hours of another employee's shift, and recorded 23 hours of overtime. However, Elko dispatchers did not request overtime compensation for the sleep period. They excluded the sleep period as they would for any regularly scheduled shift. Federal labor laws addressing 24-hour shifts do not provide clear guidance regarding this issue. Therefore, the Division should contact the Department of Personnel and obtain clarification regarding fill-in shifts to ensure employees are compensated in accordance with applicable laws.

Division management revised the dispatcher schedules in both regions as a result of our audit. Currently, dispatchers work 40 hours each week through a combination of 16 and 8-hour shifts. Requiring dispatchers to work 40 hours each week eliminates many of the problems found during our audit. However, the Division needs to resolve any remaining issues and ensure time reporting and compensation are consistent.

Payroll Processes Can Be Improved

The Division's payroll reporting process is complicated, cumbersome, and inefficient; however, improvements can be made. Less paperwork, fewer timesheet audits, accurate and consistent payroll procedures, additional training, and better supervisory review can help eliminate payroll problems. Additionally, automated processes can aid in timesheet preparation. During the course of our audit, the Division did make some improvements to the payroll process; however, additional corrective action is needed.

Revising Procedures Can Improve Accuracy and Efficiency of a Complex Payroll Process

By revising procedures, the Division can improve the accuracy and efficiency of its complicated payroll process. The process is complex because firefighters and other Division personnel that respond to emergency incidents qualify for numerous payroll premiums. These premiums, established by state laws and regulations, have been misinterpreted and inconsistently applied. Furthermore, the Division's reporting process was cumbersome since employees prepared multiple timekeeping records that were subjected to an inefficient review process. As a result, some employees received overtime and other related payments months after it was earned.

Inconsistent Procedures and Inadequate Communication

Many of the Division's employees are eligible for pay premiums authorized by state laws and regulations. These premiums include overtime, call back pay, differentials for shifts, pay for standby hours, pay for dangerous duty, holiday day-off pay, and holiday premium pay. Appendix C shows state laws and regulations that apply to Division personnel. While many of the Division's employees were eligible for these premiums, some did not receive the amounts they were entitled to. For instance, regulations for differential in shifts require employees receive this premium when on sick, annual, holiday, or other leave with pay. However, qualifying employees did not receive shift differential payment on certain holidays.

Division procedures did not always ensure that employees qualifying for the same pay premiums received comparable compensation. For instance, firefighters and dispatchers worked shifts that qualified for shift differential payment, but were compensated differently when working holidays. While both received shift differential overtime for holiday hours worked, firefighters also received regular shift differential equal to 5% of their hourly wage. Department of Personnel employees stated that both shift differential and shift differential overtime premiums should be paid on qualifying holiday hours.

Periodically, state laws and regulations are modified and affect time reporting requirements. However, the Division did not always ensure these changes were communicated to employees. For example, regulations regarding day-off holiday pay

were changed effective May 2001. However, the Division did not inform staff of this change. As a result, personnel working holidays on scheduled days off after May 2001 were underpaid. The Division must communicate all changes affecting time reporting to ensure employees can complete timesheets accurately.

Division management attributes many of these problems to turnover in a key fiscal position. This position has been filled three times since the end of fiscal year 2001. Although turnover may have contributed to misinterpretation and inconsistent application of laws and regulations, many timesheet errors were the result of a cumbersome and inefficient reporting process.

For timesheets to be completed correctly, the Division must consistently apply state laws and regulations and communicate procedural changes to employees. In addition, the Division must obtain guidance from the Department of Personnel in order to assure employees receive all pay benefits they are entitled to. Otherwise, Division employees will continue to make errors on timesheets and receive over and under payments.

Employees Prepared Multiple Timekeeping Documents

The Division can improve the accuracy and efficiency of the payroll process by reducing the number of timekeeping documents that are prepared, reviewed, and processed. During the period of our audit, Division employees that responded to emergency incidents prepared as many as four timesheets each pay period. In addition, they prepared a timekeeping report for each emergency they responded to during the pay period. These emergency time reports were submitted with the employees' timesheets to verify accuracy. Therefore, numerous documents had to be reviewed and processed each pay period. As a result, reporting errors were not always detected. Furthermore, certain documents did not assist in the review process.

Because the state's payroll system required weekly reporting, Division employees prepared two timesheets each biweekly pay period to account for their regular working hours. In addition, employees prepared a separate timesheet to charge the Fire Suppression Account for overtime and other related pay premiums resulting from an emergency incident. Consequently, the employee could prepare as many as

four timesheets during a pay period. As a result, fiscal personnel could process as many as 300 timesheets in a week during fire season.

In addition to the volume of timesheets making the process cumbersome, the manner in which they were submitted created problems. Employees did not always submit their regular and Fire Suppression Account timesheets at the same time. Consequently, both timesheets were not reviewed together, resulting in reporting errors going undetected. As noted previously, this weakness contributed to employees recording the same overtime and holiday pay hours on separate timesheets. In June 2002, the Division began submitting timesheets on a biweekly basis. Although the number of timesheets decreased, employees were still preparing separate timesheets for regular time and the Fire Suppression Account. Combining these timesheets into one document will further reduce the number of documents and allow for a more accurate and thorough review.

The Division's procedures for tracking costs resulting from emergency incidents also contributed to the cumbersome reporting process. Employees must prepare an Emergency Response Report (ERR) for each incident they respond to. The ERR is a critical document for billing reimbursable costs since it identifies the regular and overtime hours an employee charged to the incident. The ERR can also be used to verify overtime and other related pay premiums that were recorded on the Fire Suppression Account timesheet. However, employees were required to submit an ERR for all incidents with their timesheets. For instance, one employee submitted six ERR's for incidents that occurred during his normal working hours. However, none of these incidents were billable or resulted in overtime. Consequently, these ERR's provided no value to the payroll review process. Regardless, they were reviewed and approved by the Division's payroll personnel.

The California Division of Forestry's (CDF) method for recording costs incurred responding to an emergency could also help simplify and improve the accuracy of the incident reporting process. Instead of each employee preparing an Emergency Response Report, CDF requires one report per vehicle. For instance, if a vehicle is manned by three firefighters, one report is prepared to document the amount of time the vehicle and each employee were at the incident. As a result, CDF would process one

ERR instead of three. Combining employees into one report also helps ensure time reports are accurate. We found errors on ERR's that would have been avoided by including all crew members on one ERR. For instance, one employee submitted two reports for the same incident showing different hours for the same day. Another employee responding with two other firefighters on the same engine reported leaving an incident 8 hours after the other crewmembers reported leaving.

Timesheet Review Process

Streamlining the timesheet review process can help ensure employees are paid promptly and correctly. Timesheets were not always processed promptly during our audit period because of the volume of documents as well as an inefficient review process. This inefficient process subjected a timesheet to reviews at various locations. If an error was detected anywhere in the process, the timesheet was returned to the employee for correction. As a result, some timesheets took months to process. In addition to delaying payments, the constant routing of timesheets increased the risk of submitting supplemental timesheets. We found instances where employees were paid twice for the same pay premiums because of a supplemental timesheet. Although the Division made changes to improve this process, continual review of the system is necessary to ensure timesheets are processed in a timely and proficient manner.

Some delays in processing payroll can be expected since the Division has employees stationed at various locations throughout the State. However, the procedures used to review timesheets for accuracy contributed to significant delays. Timesheets were reviewed by accounting staff in both the regional and central offices. If errors were detected in either office, the timesheets were returned to the employees for correction. This process was so inefficient that months could lapse before the timesheet was submitted to the Department of Personnel for processing. For instance, one timesheet that was returned several times, was originally submitted on August 21, 2000, and received in the Carson City office for final review on November 3, 2000. This timesheet had 33.5 hours of overtime and 94.5 hours of standby pay that was delayed over 2 months. In another instance, an employee was paid for 300 hours of overtime earned over a 7-week period in one check.

Delays in overtime payments prompted complaints by Division firefighting personnel. As a result, the review process was suspended for a short period to expedite payments. Delayed overtime payments puts the Division at risk of violating the Fair Labor Standard Act (FLSA). Federal regulations require overtime to be paid on the regular payday for the period in which the workweek ends, or as soon after the regular pay period as practicable, if the correct amount of overtime cannot be immediately determined. However, payment may not be delayed for a period longer than is reasonably necessary for the employer to compute the amount due. In no event may payment be delayed beyond the next payday after computation is made.

The constant routing of timesheets also increased the risk they could be lost or misplaced. Because all copies of the timesheet were processed through the system, lost or misplaced timesheets would be difficult to duplicate with any accuracy. Additionally, if the original timesheet is lost or misplaced and a duplicate created, the employee may receive double payment if the original is subsequently located and processed.

As of September 2001, timesheets were no longer reviewed by regional accounting personnel. Instead, the Division's central accounting office began reviewing all timesheets and making necessary corrections. These changes occurred in an effort to improve the timeliness of overtime payments. However, several people in the Division's central office review each timesheet. Subjecting a timesheet to multiple reviews is an inefficient use of the Division's resources. With additional staff training and improved supervisory review, the Division can reduce the number of timesheet reviews.

Additional Training and Quality Supervisory Review Will Reduce Errors and Expedite Overtime Payments

The Division has provided limited training and written guidance regarding the proper completion of timesheets. Furthermore, supervisors are required to review and approve employees' timesheets. However, the number and type of timesheet errors we identified indicates additional training and better supervisory review are needed. Inadequate training and supervisory review resulted in employees correcting timesheets numerous times, and contributed to incorrect and untimely payments.

Training and Guidance

Division personnel work various types of workweeks and shifts. Some work the standard 40-hour week Monday through Friday. Others work 10-hour days while firefighters work two or three 24-hour shifts a week. As a result, these schedules create varying payroll issues that require specialized training for each schedule. Although most of the Division's employees received training on timesheet preparation in June 2000, it did not address the unique problems of each work group. Consequently, employees informed us they seek additional guidance from their peers and supervisors. However, the frequency of errors noted on timesheets indicates this guidance may not always have been correct.

In addition to providing limited training, the Division developed a manual to assist employees with completing and processing their timesheets. The manual addresses key information needed to improve timesheet accuracy and provides examples showing how to record various pay exceptions. However, some of the examples are not correct. For instance, some examples did not account for all pay benefits related to holidays. In addition, one example requires dispatchers to charge 8 hours of overtime during the weeks they worked 48 hours. As previously mentioned, this was incorrect and resulted in overpayments. Because the manual can be an effective tool in timesheet preparation, it is critical timesheet examples are accurate.

The numerous reporting errors we found combined with training and guidance problems indicate a lack of expertise in federal and state payroll laws. In order to reduce timesheet errors, the Division should designate staff to be trained and knowledgeable on federal and state payroll laws and procedures. In addition, the Division must provide periodic training on laws, regulations, and timesheet preparation. Finally, the Division must increase its reliance on the Department of Personnel to ensure laws and regulations are interpreted and applied correctly. Without adequate training and guidance, employees will continue to record their time incorrectly.

Supervisory Review

Quality supervisory review can help improve the payroll process by reducing timesheet errors. Department of Personnel regulations require supervisors to review employee timesheets and verify the accuracy of all hours worked and leave used.

However, many errors corrected by the Division's payroll personnel should have been caught by supervisors. Examples include:

- incorrect or missing overtime codes,
- incorrect pay period number and dates,
- leave taken not recorded or recorded incorrectly,
- erroneous budget account recorded.

Furthermore, supervisors did not ensure timesheets were submitted in accordance with Division procedures. We found timesheets submitted months after the pay period ended.

To help improve the accuracy of timesheets, supervisors should be held accountable for reporting errors. NAC 284.5255 states a supervisor who is negligent in reviewing and certifying the accuracy of an employee's timesheet may be subject to disciplinary action. However, the Division's work performance standards for supervisory personnel do not always require accurate review of employee's timesheets. Until supervisors thoroughly review timesheets, problems with payroll processing will continue to occur.

Automated Payroll Procedures Can Improve Efficiency

To identify efficient and effective payroll practices, we met with local and state fire suppression agencies. Some of these agencies rely on automated systems and supervisory controls to help ensure the proper and timely reporting of payroll. Although the Division has an automated fire records management system that can assist with timekeeping and billing processes, it is not currently utilized for these purposes.

Efficient Processes Identified at Other Agencies

Our discussions with local fire departments revealed they use automated timekeeping systems and supervisory oversight to record and process employee time. Each day, shift supervisors record an employee's work time including regular, overtime, and leave hours. This daily information is compiled into a timesheet, approved by the employee, and submitted to the payroll section for processing. Automated timekeeping and effective supervisory oversight can make time reporting and processing more efficient for several reasons. First, daily hours can be controlled and limited to 24 reported hours. Second, an automated system can expedite the payroll process. For

instance, one agency informed us that when the time reporting process was manual, they needed three staff to process timesheets. However, their automated system reduced staffing requirements to one employee. Finally, time and pay exception reporting should be more consistent.

Automated Fire Records Management System

The Division has implemented an automated fire records management system in the Western Region for emergency incident reporting. Our analysis of the software revealed that it can produce timekeeping reports similar to those used by the local fire departments. This software can also assist in billing reimbursable fire suppression expenditures. However, neither function is utilized since the program is not available statewide.

We reviewed the system's time reporting and billing components to determine if the program could support the Division's requirements and improve the process. Our analysis indicated the daily roster automatically tracks an employee's regular hours based on his assigned shift. In addition, any hours that are an exception to regular hours must be recorded as such. Furthermore, the system will not allow more than 24 hours of activity to be recorded in a day. After all daily rosters have been completed for the pay period, the software generates a timesheet for each employee. The timesheets show the pay period, daily hours including regular and "other", and pay codes identifying "other" hours. Therefore, the timesheet provides the essential information for the state's payroll system.

In addition to time reporting, the system can assist the Division in billing federal agencies for reimbursable fire costs. Currently, the billing process can be delayed because the Division must gather and manually input all personnel and equipment costs into a separate database to prepare a fire report. However, if the Division utilized this system for timekeeping, each employee could enter the fire report information while recording their daily time. Automating the incident reporting process could reduce the amount of time needed to compile, verify, and complete fire incident reports. Although additional hardware and other costs will be incurred to fully utilize the system, the benefits may outweigh these costs.

Recommendations

5. Revise payroll reporting procedures to ensure all county funded payroll expenditures are charged to the Intergovernmental Agreement Account.
6. Work with the Department of Personnel to develop written procedures that ensure dispatchers are properly compensated for the sleep period when working less than a 16-hour shift.
7. Periodically review and revise payroll reporting procedures to ensure they are in compliance with laws and regulations and are consistently applied.
8. Consolidate the regular and fire suppression timesheets into one document and discontinue submitting ERR's that do not provide value to the payroll process.
9. Streamline the payroll review process to ensure timesheets are processed as efficiently and effectively as possible.
10. Provide on-going payroll training to staff.
11. Ensure supervisors conduct accurate reviews and enforce the timely submittal of timesheets as required by law and Division procedures.
12. Evaluate the automated incident reporting system's capabilities for improving the efficiency and effectiveness of the payroll and billing process.

Appendices

Appendix A **Audit Methodology**

To gain an understanding of the Division of Forestry, we interviewed Division management and staff, and reviewed laws, policies, and procedures significant to the administration of the Division. We also reviewed the Division's strategic plan, prior audit reports, financial reports, budgets, and other information describing the Division's activities.

To determine if expenditures were appropriately charged to the Fire Suppression Account, we documented and assessed the Division's expenditure process. Then we tested 100 Fire Suppression Account expenditures recorded during the 18 months ended December 31, 2001, for compliance with laws and Division procedures. We obtained our sample by selecting the 15 largest transactions, exclusive of federal and military payments, and randomly selecting 85 additional transactions. We also traced applicable expenditures to billing documents and verified if reimbursements had been received and properly deposited. In addition, we judgmentally selected and tested a total of 10 payments to federal agencies and the Nevada National Guard for compliance with contractual requirements. We also traced the Nevada National Guard expenditures to billing documents to verify reimbursement had been properly requested.

To determine if the Division had established sufficient controls to ensure payroll expenditures were appropriate, we documented and assessed the Division's payroll process. We also haphazardly selected 100 timesheets processed during the 18 months ended December 31, 2001. The timesheets were selected from the Division's four major budget accounts and tested for compliance with applicable laws, regulations, and procedures. In addition, we reviewed timesheets from ten employees with high rates of exception pay, and employees that charged overtime or holiday premium pay to the Fire Suppression Account and their regular budget account. We also reviewed supervisory employees' work performance standards to determine if their specified duties included timesheet review and accuracy. To identify payroll reporting procedures

that could improve the efficiency and effectiveness of NDF's process, we met with officials from the Carson City Fire Department, Reno Fire Department, and California Division of Forestry, and contacted officials with the Utah Division of Forestry and State Lands, and the Idaho Department of Lands. We also evaluated the capabilities of the Division's incident reporting software program to improve the payroll reporting process. First, we created schedules for fictitious employees that were similar to the Division's 24-hour employees. Then we entered this information into the system's daily roster. We also created special pay codes to determine if the system could support employee pay premiums. Finally, we recorded various types of shift activity, such as overtime and standby, in the daily roster for each employee.

Our audit work was conducted from December 2001 to September 2002, 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 Conservation and Natural Resources and the State Forester Firewarden of the Division of Forestry. On November 12, 2002, 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 36.

Contributors to this report include:

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Appendix B

Prior Audit Recommendations

Our prior audit of the Division of Forestry contained seven recommendations. The scope of our current audit included five of these recommendations. Two of these recommendations have been fully implemented and the remaining three have been partially implemented. Those recommendations partially implemented relate to billing reimbursable costs, charging appropriate expenses to the Fire Suppression Account, and improving management controls. These recommendations have been modified and repeated in the current audit.

Appendix C

Nevada Revised Statutes and Administrative Regulations for Overtime and Other Pay Benefits

Section	Title	Description
NRS 284.180	<p>Pay plan to set official rates applicable to all positions in classified service; overtime; workweek for certain firemen; innovative workweeks; existing contracts of employment.</p>	<p>1. The legislature declares that since uniform salary and wage rates and classifications are necessary for an effective and efficient personnel system, the pay plan must set the official rates applicable to all positions in the classified service, but the establishment of the pay plan in no way limits the authority of the legislature relative to budgeted appropriations for salary and wage expenditures.</p> <p>2. Credit for overtime work directed or approved by the head of an agency or his representative must be earned at the rate of time and one-half, except for those employees described in NRS 284.148.</p> <p>3. Except as otherwise provided in subsections 4, 6, 7 and 9, overtime is considered time worked in excess of:</p> <ul style="list-style-type: none"> (a) Eight hours in 1 calendar day; (b) Eight hours in any 16-hour period; or (c) A 40-hour week. <p>4. Firemen who choose and are approved for a 24-hour shift shall be deemed to work an average of 56 hours per week and 2,912 hours per year, regardless of the actual number of hours worked or on paid leave during any biweekly pay period. A firemen so assigned is entitled to receive 1/26 of his annual salary for each biweekly pay period. In addition, overtime must be considered time worked in excess of:</p> <ul style="list-style-type: none"> (a) Twenty-four hours in one scheduled shift; or (b) Fifty-three hours average per week during one work period for those hours worked or on paid leave. <p>The appointing authority shall designate annually the length of the work period to be used in determining the work schedules for such firemen. In addition to the regular amount paid such a firemen for the deemed average of 56 hours per week, he is entitled to payment for the hours which comprise the difference between the 56-hour average and the overtime threshold of 53 hours average at a rate which will result in the equivalent of overtime payment for those hours.</p> <p>5. The director, with the approval of the commission, shall adopt regulations to carry out the provisions of subsection 4.</p> <p>6. For employees who choose and are approved for a variable workday, overtime will be considered only after working 40 hours in 1 week.</p> <p>7. Employees who are eligible under the Fair Labor Standards Act of 1938, 29 U.S.C. §§ 201 et seq., 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.</p> <p>8. An agency may experiment with innovative workweeks upon the approval of the head of the agency and after majority consent of the affected employees. The affected employees are eligible for overtime only after working 40 hours in a workweek.</p>

Appendix C

Nevada Revised Statutes and Administrative Regulations for Overtime and Other Pay Benefits (continued)

Section	Title	Description
NRS 284.180	Pay plan to set official rates applicable to all positions in classified service; overtime; workweek for certain firemen; innovative workweeks; existing contracts of employment.	<p>9. This section does not supersede or conflict with existing contracts of employment for employees hired to work 24 hours a day in a home setting. Any future classification in which an employee will be required to work 24 hours a day in a home setting must be approved in advance by the commission.</p> <p>10. All overtime must be approved in advance by the appointing authority or his designee. No officer or employee, other than a director of a department or the chairman of a board, commission or similar body, may authorize overtime for himself. The chairman of a board, commission or similar body must approve in advance all overtime worked by members of the board, commission or similar body.</p> <p>11. The budget division of the department of administration shall review all overtime worked by employees of the executive department to ensure that overtime is held to a minimum. The budget division shall report quarterly to the state board of examiners the amount of overtime worked in the quarter within the various agencies of the state.</p>
Section	Title	Condensed Description⁽¹⁾
NAC 284.208	Compensation for dangerous duty.	An employee who performs duties classified as dangerous is eligible for additional pay, on an hour for hour basis, equaling 10% of his normal hourly rate. Except for pilots, dangerous duty includes time spent flying in a single engine aircraft or helicopter.
NAC 284.210	Compensation for differentials in shifts.⁽²⁾	An employee must receive an additional 5% of normal rate of pay if he works in a unit which provides services requiring multiple shifts within a 24-hour period and he works a shift of 8 hours or more, of which 4 hours must fall between the hours of 6 p.m. and 7 a.m. If an employee works at least an 8 hour shift plus 4 or more hours between 6 p.m. and 7 a.m., he receives this differential rate of pay for the hours worked between 6 p.m. and 7 a.m. Employees assigned to a qualifying shift also receive the differential when a holiday occurs or on paid leave.
NAC 284.214	Compensation for being called back to work.	An employee must be paid 2 hours of call back pay at the rate of time and one-half if his employer calls him back to work during his scheduled time off without having notified him before the completion of his last normal working day. For each additional hour that such an employee works after the 2 hours for which he is paid call back pay, the employee must be paid overtime if eligible. Call back does not apply if 1) the employee is in standby status, 2) the work begins 1 hour before or after his scheduled shift, 3) the beginning time is not set by the employee, or 4) work begins during the same 2 hour period previously paid for call back pay.

⁽¹⁾ Includes applicable portions of the Nevada Administrative Code (NAC) that have been paraphrased for a condensed description.

⁽²⁾ Description reflects amendments to the regulation that were effective after December 31, 2001.

Appendix C
Nevada Revised Statutes and Administrative Regulations for
Overtime and Other Pay Benefits
(continued)

Section	Title	Condensed Description⁽¹⁾
NAC 284.218	Compensation for standby status.	A nonexempt employee is entitled to receive additional pay, or equivalent compensatory time off, at the rate of 5% of his normal rate of pay for every hour he is 1) directed to remain available for notification to work, 2) prepared to report to work within a reasonable time, 3) provided a means to be contacted, and 4) allowed to use the time waiting for personal pursuits. Once the employee begins his regular duties he ceases to be in standby status.
NAC 284.220	Change of time to or from daylight savings time.	An employee who loses an hour of work because of daylight savings time must use annual or compensatory time or work an additional hour. Conversely, an employee who works an additional hour due to the change to standard daylight time is entitled to receive overtime pay or compensatory time.
NAC 284.242	Authorization of overtime.	Overtime must be authorized and communicated to employees at least 4 hours in advance unless an unpredictable emergency occurs.
NAC 284.245	Consideration of paid-leave status in calculating overtime.	Paid leave status is considered as time worked in calculating overtime.
NAC 284.250	Compensation for overtime.⁽²⁾	Overtime should be paid in cash at time and one-half the employee's normal hourly rate unless the employee enters into an agreement to take compensatory time instead. Compensatory time may not be accrued in excess of 120 hours unless the agreement provides for 240 hours.
NAC 284.2508	Use of compensatory time.⁽²⁾	Compensatory time must be used within a reasonable time after is accrued. Reasonable requests to use compensatory time may not be denied if made at least 2 weeks in advance. Compensatory time must be used prior to annual leave unless it would result in the forfeiture of annual leave.
NAC 284.2535	Compensatory time: Firemen.	Compensatory time for 24-hour firemen accrues at a rate of 2.1 hours for each hour of overtime. Cash payment of compensatory time is calculated at the firefighters normal rate of pay. Compensatory time must be converted if the firefighter is appointed to a 40-hour week or a 40-hour employee is appointed to 24-hour fireman position.
NAC 284.255	Holidays: Holiday pay.⁽²⁾	Employees working 40 hours a week or 80 hours biweekly receive 8 hours of compensation for holidays. Otherwise holiday hours are calculated based on the average hours worked in a year divided by 2088 and multiplied by 8. Employees whose daily schedule exceeds 8 hours must use leave or leave without pay for the difference between scheduled hours and holiday pay. Innovative workweek employees may earn additional holiday pay for hours they work up to their normal, scheduled daily hours.

⁽¹⁾ Includes applicable portions of the Nevada Administrative Code (NAC) that have been paraphrased for a condensed description.

⁽²⁾ Description reflects amendments to the regulation that were effective after December 31, 2001.

Appendix C

Nevada Revised Statutes and Administrative Regulations for Overtime and Other Pay Benefits (continued)

Section	Title	Condensed Description ⁽¹⁾
NAC 284.256	Holidays: Compensation for working.⁽²⁾	Employees are entitled to holiday premium pay in addition to holiday pay stated in NAC 284.255 at time and one half the employees normal hourly rate for hours worked on a holiday except for hours considered to be overtime.
NAC 284.257	Holidays: Designation of time for holiday pay; adjustment of work schedule if holiday occurs on employee's day off.⁽²⁾	Appointing authorities must designate if holiday premium pay will apply based on the calendar day or the employee's entire shift. If holiday premium pay is based on the shift, 1) employees may receive payment if 50% or more of their shift occurs on that day, 2) compensable hours must be designated on the timesheet, and 3) if working two shifts on the holiday only one may be eligible for holiday premium pay. Appointing authorities may adjust employee work schedules for weeks when a holiday occurs.

⁽¹⁾ Includes applicable portions of the Nevada Administrative Code (NAC) that have been paraphrased for a condensed description.

⁽²⁾ Description reflects amendments to the regulation that were effective after December 31, 2001.

Appendix D

Response From Division of Forestry

R. MICHAEL TURNIPSEED, P.E., *Director*
Department of Conservation
and Natural Resources

KENNY C. GUINN
Governor

STEVE ROBINSON
State Forester Firewarden



STATE OF NEVADA
DEPARTMENT OF CONSERVATION AND NATURAL RESOURCES
NEVADA DIVISION OF FORESTRY
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November 25, 2002

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

RE: Response to Audit Report

Dear Mr. Townsend:

The Division of Forestry (Forestry) has received a preliminary copy of the recently completed Audit Report prepared by Legislative Counsel Bureau (LCB) audit staff. Before I comment on the audit and the recommendations, I would like to extend compliments to your auditors, Mike Spell, Shannon Ryan and Grant Dentiman, for their professional and courteous approach to the project. Unlike many audits, the positive atmosphere provided by your staff allowed for constructive discussion, issue identification and a more comprehensive product. Forestry personnel appreciate their hard work and desire to resolve issues in a coordinated manner.

The audit focused primarily on payroll and somewhat on fire billings as payroll issues were traced to the billings. Forestry accepts the twelve recommendations presented in the Audit Report and will strive to fully implement corrective actions to the best of our ability within available resources. Several of the recommendations require performance by other state agencies, which are not under the control of Forestry. Others require the addition of personnel, technology support, and/or operational funds for full implementation. Forestry lags behind many state agencies in areas of computer technology, including software, and adequate communication systems due to the geographic location of offices and facilities and limited qualified personnel and operating budgets.

It is important to note that the audit period covered was during the time when all fiscal operations were under the direct control of the Department of Conservation & Natural Resources

Paul V. Townsend, CPA
November 25, 2002

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(DCNR) and not Forestry. DCNR assumed all fiscal responsibilities for Forestry after the 1995 LCB Audit, and those responsibilities were not returned to Forestry until I made the request in the Spring of 2002. During this time frame, Forestry had no control of fiscal practices or policies. The situation became more complicated by a series of vacancies in several key fiscal positions, including the Administrative Services Officer III for most of a full year. The significant workload and complexity of Forestry's fiscal and payroll operations resulted in "job burn-out" and are the primary reason for repeated position vacancies. This placed a significant operational burden on the remaining fiscal staff, who had limited oversight.

Attached please find specific responses to each of the twelve recommendations. Actions have all ready been initiated for several of the recommendations. An Audit Corrective Action Committee has been appointed and will meet for the first time on December 5, 2002 to begin developing an implementation plan and a schedule for implementing the corrective actions, within the required time frames. We look forward to continuing our cooperative relationship, as we address the identified issues.

Sincerely,



Steve Robinson,
State Forester Firewarden

cc: Freeman Johnson
Lucy Zeier
Pete Anderson
Carol English
Mike Spell
file

**NEVADA DIVISION OF FORESTRY
RESPONSE TO
LEGISLATIVE COUNCIL BUREAU
2002 AUDIT RECOMMENDATIONS**

1. Develop policies and procedures to ensure all reimbursable fire suppression expenditures are billed - Agree

The Department of Conservation & Natural Resource (DCNR) fiscal staff and Forestry fire managers developed policies and procedures for the billing of services provided by Forestry after the 1995 LCB audit. These are in place, but a combination of events (including turnover of key staff), resulted in the policies and procedures not being completely followed. We will review and update the policies and procedures to ensure they are adequate to meet the internal control needs and to establish controls to ensure that procedures are followed capturing all costs that need to be billed.

2. Ensure all charges to the Fire Suppression Account are supported by sufficient documentation - Agree

The area where this applies the most is with the billings we receive from the Bureau of Land Management and the U.S. Forest Service. Policies and procedures, and in fact the Agreements with these agencies provide the necessary guidance for what kinds of documentation is to be provided with the billings. We implement the necessary action to ensure that adequate documentation is received from all vendors for charges to the Fire Suppression account (BA 4196). Discussions with our federal cooperators regarding the adequacy of their billing documentation have been requested.

3. Develop policies and procedures for the physical control of fire supply inventory - Agree.

Forestry developed and implemented a fire supply warehouse program in an effort to reduce re-supply costs to the state. As "warehousing" is relatively new to Forestry, agency approved policies and procedures for inventory control have not been developed. Each of the warehouses does have an informal system of tracking; however, the audit revealed that some locations need a more formalized solution. Forestry has obtained a copy of the system used by another Western state and is now evaluating it to determine if it would work for us. Forestry shall pursue the installation of a consistent, statewide inventory system for each facility.

4. Reevaluate the purchase order process and ensure purchasing procedures are complied with. Agree. The purchase order process was tightened dramatically after the 1995 LCB audit and compliance with it is high. However, it may have been overkill. Forestry will again review the purchasing operations and determine the needed level of controls through purchase orders. Policies and procedures for purchase orders will be reviewed and revised to address the need more appropriately. Forestry personnel shall be held accountable for compliance with policies and procedures.

5. **Revise payroll reporting procedures to ensure all county funded payroll expenditures are charged to the Intergovernmental Agreement Account - Agree.**
Policies and procedures will be extensively reviewed and updated and all applicable staff trained on a regular basis. Assistance from the Department of Personnel will be requested, as needed.
6. **Work with the Department of Personnel to develop written procedures that ensure dispatchers are properly compensated for the sleep period when working less than a 16-hour shift - Agree.**
A comprehensive review of Forestry's Dispatch Program delivered through the Elko and Minden Interagency Centers has been started. Sufficient funding for staffing in the Dispatch Program was not Legislatively approved, thus forcing the use of creative work schedules and overtime to meet the requirements of 24-hour/7-day per week coverage for emergency services. All dispatchers were immediately placed on forty-hour-per-week schedules when the LCB Auditors identified the work schedule issues. A request for additional Dispatcher positions is currently being explored. Policies and procedures will be reviewed and updated and all associated staff will be trained regularly, based upon available budgets, staff and expertise. Assistance from the Department of Personnel will be requested as federal and state laws, regulations, policies and procedures have been identified to have conflicts.
7. **Periodically review and revise payroll reporting procedures to ensure they are in compliance with laws and regulations and are consistently applied - Agree.**
Policies and procedures will be reviewed and updated and all applicable staff trained regularly based upon available budgets, staff and expertise. Assistance from the Department of Personnel will be requested, as needed.
8. **Consolidate the regular and fire suppression timesheets into one document and discontinue submitting ERR's that do not provide value to the payroll process. Agree.**
Timesheet consolidation will be explored and reviewed with the Department of Personnel regarding operational feasibility. Past requests for time sheet consolidation have been rejected. Should the Department of Personnel reject timesheet consolidation, other avenues for streamlining the process will continue to be explored. Submittal of Emergency Response Reports is currently being addressed and revised to improve efficiencies.
9. **Streamline the payroll review process to ensure timesheets are processed as efficiently and effectively as possible - Agree.**
The Division has already implemented several changes to streamline the payroll review process, improve efficiencies, and maintain accurate reporting. An electronic bi-weekly time sheet was rolled out on a statewide basis with Pay Period #5, August 5, 2002. This has significantly reduced errors and has streamlined the process. The responsibility for initial timesheet auditing and keypunching was returned to the regional offices this fall, which will also streamline the process. Future plans are envisioned to perform post audit centrally to identify errors for correction and training purposes. Forestry will continue to

explore feasible ideas to improve the timesheet and payroll processes. While the State Payroll system works for the majority of state employees it does not efficiently accommodate Forestry's emergency operations personnel.

10. Provide on-going payroll training to staff - Agree.

Forestry provided time reporting training for all personnel approximately two years ago. Unfortunately the training was not completely effective due to the reporting diversity of the various positions (e.g. 24-hour firefighters, Dispatchers to Crew Supervisors). It has been discovered that the time reporting manual prepared by DCNR staff contained several inaccuracies. Additionally, time reporting interpretations by DCNR staff of policies, regulations and laws was inconsistently applied. Issues raised were given a further variety of conflicting interpretations by the Attorney General's Office and the Department of Personnel, among others. An accurate time reporting manual is critically necessary and must be accompanied by an ongoing training package for all Forestry employees. Forestry is committed to updating the time reporting manual, formatting ongoing training, and developing consistent and reliable advice to employees. As needed, Forestry staff will continue to request assistance and guidance from the Department of Personnel.

11. Ensure supervisors conduct accurate reviews and enforce the timely submittal of timesheets as required by law and Division procedures - Agree.

Forestry has developed and implemented a comprehensive policy and procedure manual and all employees have ready access to this manual. The time reporting and payroll manual requires accurate updating and stability so that confidence in the system is improved. Implementation and enforcement is an ongoing problem due to the ever-changing environment. All employee work performance standards will be updated and compliance with Forestry's policies and procedures will be included.

12. Evaluate the automated incident reporting system's capabilities for improving the efficiency and effectiveness of payroll time collection efforts and fire billing processes - Agree.

Forestry continues to pursue and investigate a variety of automated incident reporting systems to meet the ever changing reporting and billing requirements of the Fire and Emergency service industry, within available resources. Available funding for purchase of an automated incident reporting system for statewide application, the training of personnel and the acquisition of hardware continues to be an obstacle, but we will work on finding cost effective alternatives, as we can.

Division of Forestry Response To Audit Recommendations

<u>Recommendation Number</u>		<u>Accepted</u>	<u>Rejected</u>
1	Develop policies and procedures to ensure all reimbursable fire suppression expenditures are billed.	<u> X </u>	<u> </u>
2	Ensure all charges to the Fire Suppression Account are supported by sufficient documentation	<u> X </u>	<u> </u>
3	Develop policies and procedures for the physical control of fire supply inventory.....	<u> X </u>	<u> </u>
4	Reevaluate the purchase order process and ensure purchasing procedures are complied with.....	<u> X </u>	<u> </u>
5	Revise payroll reporting procedures to ensure all county funded payroll expenditures are charged to the Intergovernmental Agreement Account.....	<u> X </u>	<u> </u>
6	Work with the Department of Personnel to develop written procedures that ensure dispatchers are properly compensated for the sleep period when working less than a 16-hour shift.....	<u> X </u>	<u> </u>
7	Periodically review and revise payroll reporting procedures to ensure they are in compliance with laws and regulations and are consistently applied	<u> X </u>	<u> </u>
8	Consolidate the regular and fire suppression timesheets into one document and discontinue submitting ERR's that do not provide value to the payroll process.....	<u> X </u>	<u> </u>
9	Streamline the payroll review process to ensure timesheets are processed as efficiently and effectively as possible.....	<u> X </u>	<u> </u>
10	Provide on-going payroll training to staff.....	<u> X </u>	<u> </u>
11	Ensure supervisors conduct accurate reviews and enforce the timely submittal of timesheets as required by law and Division procedures.....	<u> X </u>	<u> </u>
12	Evaluate the automated incident reporting system's capabilities for improving the efficiency and effectiveness of the payroll and billing process.....	<u> X </u>	<u> </u>
	TOTALS	<u> 12 </u>	<u> 0 </u>