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We have completed an audit of the State Fire Marshal Division. 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 State Fire Marshal Division 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

April 2, 2007  
Carson City, Nevada

STATE OF NEVADA  
DEPARTMENT OF PUBLIC SAFETY  
STATE FIRE MARSHAL DIVISION

AUDIT REPORT

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# **EXECUTIVE SUMMARY**

## **DEPARTMENT OF PUBLIC SAFETY STATE FIRE MARSHAL DIVISION**

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### **Background**

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The mission of the State Fire Marshal Division is to provide citizens, visitors, and the fire services of Nevada a safe environment in which to live, visit, and work. Statutory authority for the Division is found in NRS 477. The primary responsibilities of the Division include: providing fire protection engineering services, conducting fire investigations and regulatory enforcement, permitting hazardous material facilities, licensing fire protection companies, maintaining Nevada's National Fire Incident Reporting System, and establishing fire service training and certification standards.

For fiscal year 2006, the Division had 38 authorized positions at offices in Carson City, Elko, Las Vegas, Pahrump, and Reno. In fiscal year 2006, the Division received funds totaling approximately \$3.9 million. The Division's funding included a General Fund appropriation and fees from plan review, license, and hazardous material permit activities.

### **Purpose**

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The purpose of this audit was to evaluate the Division's processes for identifying hazardous material facilities, performing building inspections, and issuing licenses; including whether these activities were carried out in accordance with applicable laws, regulations, and policies. This audit focused on activities for fiscal year 2006, and through October 2006 for certain issues.

## EXECUTIVE SUMMARY

### DEPARTMENT OF PUBLIC SAFETY STATE FIRE MARSHAL DIVISION

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## Results in Brief

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The Division has not established efficient and effective processes to carry out certain programs important for protecting emergency responders and the public. Specifically, the Division has not resolved long-standing weaknesses in identifying and permitting hazardous material facilities, and following up on businesses that do not renew their permit. In addition, many annual fire safety inspections of state buildings were not performed, and the Division's licensing programs can be improved. Furthermore, more than \$100,000 was not collected because of weaknesses in permitting and licensing businesses. Most problems stem from a lack of management controls to guide agency operations and to ensure adequate supervision of staff.

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## Principal Findings

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- The Division has not identified and permitted many businesses that store hazardous materials, including 33 of 80 facilities we tested. The importance of identifying hazardous material facilities was addressed in our 2001 audit. In addition, the 2003 Legislature provided additional staffing for this program. However, the Division has not sustained its efforts to identify businesses storing hazardous materials. As a result, the safety risk to emergency responders and the public has not been minimized to the extent possible. In addition, we estimate the Division does not collect at least \$4,950 annually by not permitting the 33 facilities identified. (page 8)
- Facilities storing hazardous materials did not always renew their permits annually. As of September 2006, over 300 of approximately 5,300 facilities listed in the Division's database did not have a current hazardous

## EXECUTIVE SUMMARY

### DEPARTMENT OF PUBLIC SAFETY STATE FIRE MARSHAL DIVISION

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material permit. Some facilities had not renewed their permits for more than 4 years. Because the Division did not have a process to track permit renewals, it was not aware many permits were expired. As a result, information on hazardous material quantities was not current. Furthermore, an estimated \$80,000 in renewal fees was not collected. (page 12)

- The Division did not perform annual fire safety inspections on 56 of 60 state buildings we tested. We considered a building to be inspected annually if two documented inspections occurred in the last 2 years, as of October 2006. In addition, staff could not provide any records that an inspection had ever been performed for over half of these buildings. These inspections help ensure exits are not blocked, alarms work, and fire-extinguishing systems are properly maintained. Annual fire safety inspections have been required for many years. However, the Division did not have a process to ensure inspections were performed and documented. As a result, the safety of the public, state employees, and state property was at risk. (page 13)
- The Division does not coordinate its work activities to ensure efficient and effective use of staff. Officers and inspectors frequently traveled long distances, often to the same areas, but performed only a few inspections each trip. These employees also traveled to other regions in the State to inspect facilities when employees stationed in those regions could have performed the work. As a result, employees often spent more time driving than conducting inspections. Coordination of work activities could eliminate many long distance trips and increase the number of inspections performed. In addition, we identified two states that have developed risk-based approaches for completing annual inspections efficiently. (page 15)
- The Division did not adequately monitor the work activities of officers and inspectors. Although monthly

## EXECUTIVE SUMMARY

### DEPARTMENT OF PUBLIC SAFETY STATE FIRE MARSHAL DIVISION

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reports and forms have been developed to track employee time and work activities, management has not used these tools to monitor the productivity of staff. For example, we identified two inspectors that spent less than 20% of their available work hours performing inspections. One inspector recorded most work hours to administrative activities and travel. The other inspector did not report hours for work and administrative activities. Therefore, we estimated inspection hours by reviewing inspection reports and other documents. Without adequate supervision of work activities, management lacks assurance that staff resources are utilized efficiently and effectively. (page 18)

- The Division did not conduct annual performance evaluations for officers and inspectors. All eight officers and inspectors we tested did not receive an annual evaluation. Furthermore, six of these employees had not received a performance evaluation in over 4 years. (page 19)
- The Division has not licensed fire protection companies and interior designers as required by state law. Seven of 60 fire protection companies and all 18 interior designers tested were not licensed by the Division. Despite the requirement to license these entities, the Division does not have a process to identify businesses needing a license. Not licensing these businesses results in increased risk to the public. For example, licensing interior designers helps ensure they have knowledge of fire rated materials in commercial establishments. We estimate that \$17,300 in license fees were not collected from the unlicensed businesses we identified. (page 20)

## EXECUTIVE SUMMARY

DEPARTMENT OF PUBLIC SAFETY  
STATE FIRE MARSHAL DIVISION

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### Recommendations

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This report contains nine recommendations to improve the Division's processes for identifying and permitting hazardous material facilities, performing building inspections, and issuing licenses. Two recommendations address improving processes to identify facilities and renew hazardous material permits. One recommendation relates to developing an efficient process to inspect state buildings. Four recommendations address coordinating and monitoring staff work activities, and ensuring employee performance evaluations are conducted. We also made one recommendation to improve the identification and licensing of fire protection companies and interior designers. Finally, one recommendation addresses the separation of duties for fee collections. (page 29)

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### Agency Response

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The Division, in response to our report, accepted the nine recommendations. (page 28)

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# Introduction

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## Background

The mission of the State Fire Marshal Division is to provide citizens, visitors, and the fire services of Nevada a safe environment in which to live, visit, and work. To accomplish its mission, the Division is currently organized into five units with the following responsibilities:

- **Administrative** – directs requests from all agencies and businesses requiring information from the Division, performs other general office activities, and provides grant administration.
- **Engineering and Inspections** – reviews building plans, provides fire protection engineering assistance to state and local agencies, and conducts fire/life safety inspections.
- **Fire Protection, Licensing and Permitting, Statistics, and Fire Prevention** – licenses 33 types of businesses including handlers and installers of explosives, pyrotechnics, fire extinguishment systems, and interior designers; and permits and regulates facilities that store hazardous materials. Furthermore, this unit trains and coordinates with Nevada fire departments to report fire data for the National Fire Incident Reporting System (NFIRS).
- **Investigations** – enforces fire safety by conducting arson investigations and regulatory activities.
- **Training** – establishes training standards, performance measures, and certification programs for fire service personnel.

Statutory authority for the Division is found in NRS 477. These statutes require the Division enforce all laws and adopt regulations relating to the prevention of fire, storage/use of explosives and flammable materials, safety of buildings, and suppression and punishment of arson and fraudulent claims of fire losses. The Division's regulations apply throughout the State. However, the Division cannot investigate fires and enforce regulations in consolidated municipalities and counties with populations over 100,000, unless requested to by the local authority.

Total expenditures for the Division were \$3.2 million in fiscal year 2006. Of this amount, payroll expenditures totaled approximately \$2.3 million, or about 72% of the

Division's operating budget. For fiscal year 2006, the Division had 38 authorized positions at offices in Carson City, Elko, Las Vegas, Pahrump, and Reno.

In fiscal year 2006, the Division received funds totaling approximately \$3.9 million. The Division's funding included a General Fund appropriation and fees from plan review, license, and hazardous material permit activities. Exhibit 1 shows the Division's 2006 revenues by source.

**Exhibit 1**

**Revenues by Source  
Fiscal Year 2006**

<b>Source</b>	<b>Revenue</b>
General Fund Appropriation <sup>(1)</sup>	\$1,112,564
Transfers From Other Government Entities <sup>(2)</sup>	496,381
Plan Review Fees	1,295,191
Licensing Fees	425,076
Hazardous Material Fees	457,716
Other (includes federal grants, training fees, etc.)	130,136
<b>Total</b>	<b>\$3,917,064</b>

Source: State accounting system.

<sup>(1)</sup> The Division reverted \$682,419 of this appropriation to the General Fund.

<sup>(2)</sup> Includes \$319,113 transfer from the Division of Environmental Protection and \$152,541 transfer from the State Emergency Response Commission.

**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 focused on the Division's activities for fiscal year 2006, and through October 2006 for certain issues. Our objective was to evaluate the adequacy of the Division's processes for identifying hazardous material facilities, performing building inspections, and issuing licenses; including whether these activities were carried out in accordance with applicable laws, regulations, and policies.

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## **Findings and Recommendations**

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The Division has not established efficient and effective processes to carry out certain programs important for protecting emergency responders and the public. Specifically, the Division has not resolved long-standing weaknesses in identifying and permitting hazardous material facilities, and following up on businesses that do not renew their permit. In addition, many annual fire safety inspections of state buildings were not performed, and the Division's licensing programs can be improved. Furthermore, more than \$100,000 was not collected because of weaknesses in permitting and licensing businesses. Most problems stem from a lack of management controls to guide agency operations and to ensure adequate supervision of staff.

### **Long-Standing Weaknesses in Hazardous Materials Program**

Weaknesses in the hazardous material permit program have not been resolved. The Division has yet to establish an efficient and effective process to identify businesses with hazardous materials. In addition, the Division does not have an adequate process to ensure businesses renew their permits. Identifying and permitting businesses that store hazardous materials is required by federal and state laws to help ensure public safety.

#### **Process Needed to Identify Businesses With Hazardous Materials**

The Division has not identified and permitted many businesses that store hazardous materials, including 33 of 80 facilities we tested. The importance of identifying hazardous material facilities was addressed in our 2001 audit. In addition, the 2003 Legislature provided additional staffing for this program. However, the Division has not sustained its efforts to identify businesses storing hazardous materials. As a result, the safety risk to emergency responders and the public has not been minimized to the extent possible.

Hazardous material facilities permitted by the Division include businesses that store substances which could threaten the health and safety of the public. Examples include designated quantities of paints, oils, and gasoline. In 2001, the Division

estimated the number of businesses in Nevada that should hold a hazardous material permit could exceed 20,000. At that time, approximately 4,500 businesses were permitted. As of August 2006, 5,274 businesses were listed in the database maintained by the Division. Exhibit 2 shows the number of facilities, by county, listed in the database.

**Exhibit 2**

**Number of Hazardous Material Facilities  
As of August 2006**

<b>County</b>	<b>Number of Facilities Listed</b>
Carson City	269
Churchill	125
Clark	2,307
Douglas	147
Elko	264
Esmeralda	8
Eureka	31
Humboldt	138
Lander	66
Lincoln	33
Lyon	227
Mineral	37
Nye	140
Pershing	52
Storey	27
Washoe	1,343
White Pine	59
Out of State	1
<b>Total</b>	<b>5,274</b>

Source: State Fire Marshal Division records.

Under the Superfund Amendments and Reauthorization Act (SARA Title III), the State is responsible for collecting information from facilities about the use and storage of extremely hazardous materials. Examples of these chemicals include acetone, ammonia, and sulfuric acid. In addition, state law requires that businesses storing hazardous materials obtain a permit from the Division. To enforce these laws, the Division partnered with the State Emergency Response Commission to create the Nevada Chemical Facility Database (NCFD). This database records the quantities, types, and locations of chemicals stored by permitted facilities.

### Implementation of Prior Audit Recommendation Not Sustained

During our 2001 audit, we found the Division did not have an adequate process to ensure businesses storing hazardous materials were identified. At that time, the primary method of identifying hazardous material facilities was to select a geographical location and inspect those businesses within that area. Therefore, we recommended the Division coordinate with other governmental entities to identify businesses storing hazardous materials. Although the Division initially implemented our prior audit recommendation, its implementation was not sustained.

### Legislature Provided Additional Staff and Funding in 2003

The 2003 Legislature provided additional resources to help improve the hazardous material permit program. The Division received a \$1.5 million General Fund appropriation for the biennium, which included six new positions. Four of the new positions related to the hazardous material program. According to a Letter of Intent issued by the chairmen of the Senate Committee on Finance and Assembly Committee on Ways and Means, three positions (two Deputy Fire Marshals and one Administrative Assistant) were specifically added to help carry out the hazardous material permit program. In addition, another Deputy Fire Marshal position was provided that could perform both fire safety and hazardous material inspections. The new positions were intended to help the existing four Deputy Fire Marshals assigned to the hazardous material permit program.

Since 2003, staff resources have been reallocated, resulting in a low number of staff hours directed to this program. In July 2005, Deputy Fire Marshal positions were reclassified to either Hazardous Material Inspectors or Department of Public Safety (DPS) Officer positions. Although work performance standards for both inspectors and officers identify hazardous material inspections as a responsibility, we estimate the Division spent only 945 total hours performing hazardous material inspections during 2006.

The Division had three full-time employees classified as Hazardous Material Inspectors in 2006. We estimate these inspectors spent a total of 685 hours performing hazardous material inspections during the year. One inspector did not report any hazardous material inspection activities.

The reclassifications of positions to the DPS Officer classification, and other management decisions, have made hazardous material facility inspections a lower priority for officers. For example, officers that performed inspections reported about 260 total hours of hazardous material inspections activities in fiscal year 2006. In contrast, five officers reported receiving 1,450 hours of training, even though none of the officers were new employees.

One reason for the large number of training hours is the DPS made the decision to train its officer positions as Category I peace officers. Category I officers include traditional law enforcement officers such as sheriffs, police, and state troopers. Before this decision, the Deputy Fire Marshal positions were Category II peace officers. This category includes specialists such as State Fire Marshal deputies, Parole and Probation officers, and various investigators and agents. According to the Commission on Peace Officers' Standards and Training, the difference in training hours is about 280 hours between Category I and II. The Division's management indicated the decision was made to train its officers as Category I officers so they could perform law enforcement action when crime occurs in their presence or to assist other law enforcement entities that require assistance.

#### Many Facilities Are Easily Identifiable

Many facilities storing hazardous materials could be easily identified if the Division had an effective process. The 80 facilities we tested included gas stations located in 11 cities and businesses listed on the City of Henderson's hazardous material business report. We used Henderson's report because it contained comparable data to the Division's database that could be easily searched. From our testing, we identified the following:

- 17 of 40 gas stations selected from the telephone book and county business licenses were not permitted.
- 16 of 40 businesses from Henderson's hazardous material business report were not permitted.

Information regarding business licenses, including the type of business, is easily accessible through the internet. Furthermore, the City of Henderson assists the Division by sending its report to the Division monthly. However, the Division did not compare

Henderson's list of facilities with those in its database. We estimate the Division does not collect at least \$4,950 annually by not permitting the 33 facilities identified.

### **Permit Renewal Process Has Weaknesses**

Facilities storing hazardous materials did not always renew their permits annually. As of September 2006, over 300 of approximately 5,300 facilities listed in the Division's database did not have a current hazardous material permit. Some facilities had not renewed their permit for more than 4 years. We tested a sample of these facilities and found that most were still in operation. Because the Division did not have a process to track permit renewals, it was not aware many permits were expired. As a result, information on hazardous material quantities was not current. Furthermore, an estimated \$80,000 in renewal fees was not collected. In 2001, we identified and reported similar problems regarding the permit renewal process.

The Division lacked an adequate process to track permit renewals, identify expired permits, and follow up on businesses that did not renew their permit. We tested 40 businesses with an expired permit and found 38 were still in operation. Although an employee was working to ensure the hazardous materials database contained only active businesses, they could not generate a report to easily identify businesses that did not renew their permit. At our request, the Department's computer staff programmed a report that would enable identification of expired permits. We used this report to identify the 300 facilities with expired permits and amounts not collected. This report will help the Division identify permits that are not renewed.

The Division's regulations require hazardous material permits be renewed annually. Each permitted facility is charged a \$150 annual fee. Of this amount, \$60 is deposited to the Contingency Account for Hazardous Materials. The remaining \$90 is deposited to the Division's budget account. Additional fees are assessed if designated quantities of extremely hazardous materials, listed under SARA Title III, are stored.

Permitting facilities that store hazardous materials helps to ensure public safety and fund Division operations. For example, permit fees help fund hazardous material training programs for emergency responders. In addition, information collected during the renewal process helps ensure emergency responders have accurate information when responding to an incident.

### Implementation of Prior Audit Recommendations Not Sustained

During our 2001 audit, we found the Division did not track renewal information. In addition, it did not perform follow-up activities to ensure businesses submitted the required permit renewal forms and fees. Therefore, we recommended the Division capture basic information to track permit renewal forms and develop specific timeframes to follow up on businesses that have not returned renewal forms. Although the Division's database captures the necessary information, we found the Division did not query the database to identify delinquent renewals. Furthermore, the Division did not continue to follow up on delinquent renewals. According to management, follow-up activities are performed as staff time allows.

### **Recommendations**

1. Develop policies and procedures to ensure the process for identifying facilities requiring a hazardous material permit is efficient and effective.
2. Develop policies and procedures to track hazardous material permit renewals and follow up on expired permits.

### **Fire Safety Inspections Not Performed as Required**

The Division conducts few fire safety inspections of state buildings. State law requires the Division to ensure annual fire safety inspections are performed for all state buildings. However, the Division does not have a process to identify, perform, and document inspections. Other states have developed efficient processes for conducting this work. Fire safety inspections help ensure a safe environment for state employees and the public.

#### **State Buildings Not Inspected**

The Division did not perform annual fire safety inspections on 56 of 60 state buildings we tested. We considered a building to be inspected annually if two documented inspections occurred in the last 2 years, as of October 2006. In addition, staff could not provide any records that an inspection had ever been performed for over half of these buildings. These inspections help ensure exits are not blocked, alarms work, and fire-extinguishing systems are properly maintained. Annual fire safety

inspections have been required for many years. However, the Division did not have a process to ensure inspections were performed and documented. As a result, the safety of the public, state employees, and state property was at risk.

Although most state buildings were not inspected annually, some regions did much better than other regions. For example, the Elko region inspected each building we tested at least one time since 2003. However, in Clark County no inspection records were available for any buildings selected. These differences occurred because the Division lacks an effective process to identify, perform, and document inspections. While the Division did have a spreadsheet listing state buildings and some past inspection dates, management was not using it as a tool to monitor inspections. In addition, staff in the different regions were not assigned buildings to inspect. A list of the buildings we tested by county and city is located in Appendix B.

Since 1967, state law has required the Fire Marshal to inspect, or cause to be inspected, annually all state buildings. Furthermore, NRS 477.035 requires the Division maintain records of these inspections. To test the annual inspection requirement, we judgmentally selected high occupancy buildings from a list maintained by the State Public Works Board. We also requested the Division provide the two most recent inspection documents. We considered buildings that did not receive two inspections within the last 2 years as not receiving an annual inspection.

### **Efficient Processes Used by Other States**

The Division expressed concern it could not perform annual inspections with the existing staff level. However, we believe these inspections can be done if an efficient process is developed. Fire marshal offices in other states have developed efficient processes. For example, New Hampshire and Kansas have developed risk-based approaches to complete annual fire safety inspections.

- **Self-Inspection Checklist:** In New Hampshire, a self-inspection checklist is used to inspect low-risk buildings. The fire marshal's office holds training courses and instructs building managers and safety committees how to use the checklist. High-risk buildings are inspected by the fire marshal.
- **Scaling-Down the Scope of Certain Annual Inspections:** Kansas puts facilities with annual inspection requirements on 3-year or 4-year cycles. This efficiency was noted in a 2004 audit of Kansas' State Fire Marshal. In the first year of each cycle, a full inspection is conducted. If no serious

violations are found, the annual inspections for the remaining years of the cycle are scaled-down. These scaled-down inspections include a review of certain documentation and a facility walk-through to ensure that previous violations were corrected.

In addition, the Fire Marshal has several options available to ensure state buildings are inspected. The Division has used interlocal agreements to establish its responsibilities in rural counties. These agreements could be used to have local fire departments inspect state buildings as needed. Furthermore, state law allows the Fire Marshal to contract with local authorities to perform state building inspections.

### **Recommendation**

3. Establish an efficient process to ensure state buildings are inspected annually, including policies and procedures to identify, perform, and document inspections.

### **Staff Not Adequately Supervised**

The Division does not adequately supervise staff work activities. First, the Division does not coordinate fire safety inspections to ensure efficiency. Second, supervisors do not adequately monitor staff work activities. Third, employees do not receive annual performance evaluations. As a result, management has little assurance that staff resources are efficiently and effectively utilized.

#### **Coordination of Inspection Activities Would Improve Efficiency**

The Division does not coordinate its work activities to ensure efficient and effective use of staff. Officers and inspectors frequently traveled long distances, often to the same areas, but performed only a few inspections each trip. In addition, these employees traveled to other regions in the State to inspect facilities when employees stationed in those regions could have performed the work. As a result, employees often spent more time driving than conducting inspections. Coordination of work activities could eliminate many long distance trips and increase the number of inspections performed.

Examples of poorly coordinated work activities during fiscal year 2006 include:

- One inspector drove from Carson City to southern Nevada 13 times during the year, spending an estimated 208 hours driving and 116 hours performing

annual inspections of certain licensed facilities. Typically, these trips included traveling to Las Vegas the first day, conducting inspections the next day, and returning home the third day. Because most inspection activities were for annual fire safety inspections, the 116 hours of work could have been scheduled and performed in a few trips, or performed by staff in the southern region.

- Although staff in Reno can conduct fire safety inspections, one inspector stationed in Carson City made 21 trips to the Reno/Sparks area to conduct 47 inspections. For 9 of 21 trips, only one facility was inspected. Excluding travel time between cities, we estimate these inspections took a total of 31 hours to perform. Therefore, staff in Reno could perform these inspections.
- One inspector made 14 trips from Elko to the Ely area to conduct a variety of inspections during fiscal year 2006. Because each round trip takes about 6 hours travel time, inspection activities should be coordinated to the extent possible. Several trips included time sensitive inspections. However, we estimate six trips could have been eliminated with better coordination of activities. Among the trips to the Ely area were three trips to Baker, about 60 miles east of Ely, where four inspections were reported.
- Eight trips were made from Carson City to Fernley to inspect 10 child care facilities. In addition, four trips were made to Fallon to inspect seven facilities. Based on our review of inspection documents, at least five of these trips could have been eliminated through better scheduling.
- On three occasions, officers drove from northern Nevada to Las Vegas and performed a total of five inspections and one fire investigation. Of the 96 hours spent on these trips, officers reported 21 hours of work activities. We estimate that 48 hours were spent traveling. And, no activities were reported for 27 work hours. Based on our review of available staff in southern Nevada, we believe that better coordination of work activities could have eliminated one or more trips. In addition, other inspections could have been performed during the 27 hours where no work activities were reported.

The cost of not coordinating work activities can be significant. For example, we estimate that salary, travel, and per diem costs totaled \$19,000 for the inspector that drove from Carson City to Las Vegas 13 times to perform a total of 116 hours of work. This inspector performed only fire safety inspections of licensed facilities, which took an average of 40 minutes per inspection. Although 174 inspections were performed, each inspection cost \$109. The Division charges licensed facilities \$22 per inspection. Therefore, poor coordination of these Las Vegas inspections resulted in unrecovered costs of \$87 per inspection, or about \$15,100.

### Supervision Would Improve Coordination of Work

The Division did not adequately supervise inspection activities to ensure work was coordinated. We found the Division did not: (1) efficiently schedule annual inspections of facilities, (2) coordinate inspection activities between inspectors and officers, or (3) provide clear and consistent communications to officers regarding inspection responsibilities.

The Division did not efficiently schedule annual fire safety inspections. For example, each child care facility licensed by the Division of Child and Family Services (DCFS) must have an annual fire safety inspection. Although our testing found these facilities were inspected regularly, the scheduling process was not efficient. Inspectors wait until DCFS requests inspection information for each facility. Because these requests are made throughout the year based on the licensee's renewal date, inspectors frequently travel to the same areas to conduct a few inspections. Sometimes they return to almost the same location. For example, two facilities within a block of each other received their annual inspection 4 months apart. In addition, two other facilities located at the same school campus received their annual inspections 8 months apart. According to DCFS officials, it would be acceptable for the Division to perform annual inspections by area instead of the licensee's renewal date.

Inspection activities of officers and inspectors were not coordinated by the Division. Although these two groups of employees are trained to perform fire safety inspections, each employee sets their own inspection schedule and a process is not in place to coordinate work activities. Furthermore, one inspector stationed in Washoe County performs only hazardous material inspections, and another inspector in Carson City performs only fire safety inspections of licensed facilities. As a result, employees drive by facilities that they could inspect, or travel long distances to inspect facilities that could be inspected by staff stationed nearby.

The Division did not provide clear and consistent communication to officers regarding inspection responsibilities. According to discussions with several officers, they were told not to perform fire safety inspections. However, some officers indicated they continue performing these inspections. In addition, proposed changes in officer work performance standards could make fire safety inspections a lower priority.

## **Work Activities of Officers and Inspectors Not Adequately Monitored**

The Division did not adequately monitor the work activities of officers and inspectors. Although monthly reports and forms have been developed to track employee time and work activities, management has not used these tools to monitor the productivity of staff. For example, we identified two inspectors that spent less than 20% of their available work hours performing inspections. Without adequate supervision of work activities, management lacks assurance that staff resources are utilized efficiently and effectively.

The Division has developed a monthly reporting process to track employee time and work activities. If used properly, these reports are a valuable management tool. For example, the monthly report includes time reporting for 35 categories such as inspections, consultations, investigations, training, travel, and administrative time. In addition, details are required on the total number of inspections, consultations, and investigations performed. Therefore, management could use these reports to monitor work activities and identify areas for improvement.

Our review of monthly reports and inspection documents prepared by eight staff identified: (1) significant hours recorded as administrative time, (2) work hours not always reported, (3) inspection activities overstated, and (4) errors in reporting time worked. Furthermore, officers and inspectors did not fill out forms completely to document the time it took to perform inspections.

- **Significant Administrative Time Recorded:** The administrative time reported by seven inspectors and officers totaled 3,245 hours during fiscal year 2006, or about 25% of their available work hours. One inspector had more than 800 hours in administrative time during the year and recorded only 251 hours to inspection activities. Details were not recorded for the types of administrative activities performed. Other time reported by this employee included 364 hours of travel and 140 hours of training. In total, this inspector spent less than 20% of available work hours performing inspections.
- **Inspection Hours Not Reported:** One inspector did not report any hours for work or administrative activities during fiscal year 2006. This employee submitted 12 monthly reports showing hours for annual leave, sick leave, overtime, and attending a conference. However, the column to report hours worked was left blank. Based on our review of this employee's inspection reports and inspection summaries, we estimate that about 200 hours were spent performing inspections, or less than 20% of available work hours.

- Inspection Activities Over Reported: One employee over reported the number of inspections performed by about 43%. This occurred because some activities were double counted. For example, visits to businesses to pick up checks and applications, or provide application assistance, were counted as both an inspection and consultation. Instructions for the monthly report clearly indicate that application assistance should be reported under consultation activities. Another employee over reported the number of inspection hours. This employee spent a significant amount of time traveling; however, these hours were recorded to inspection activities.
- Errors in Reporting Time Worked: Thirty-five percent of the monthly reports we reviewed contained errors exceeding 20 hours for the month. Because the Division did not monitor these reports, several large variances went unnoticed. In one month, an officer reported working 217 hours more than what was recorded on timesheets. Another officer did not report 104 hours during one month when compared to this employee's timesheets.
- Inspection Times Not Adequately Documented: Inspectors rarely recorded the time of inspections or the time it took to conduct inspections. For example, one inspector did not complete the line on the inspection form for the time the inspections started. Another inspector recorded the time the inspection started; however, the line to record time completed was left blank on all inspection reports we reviewed for 3 months.

Although the Division has developed monthly reports and other controls to provide accountability for staff resources, it has not supervised staff to ensure these controls are working as intended. As a result, the Division does not have complete and accurate information to monitor the activities of staff or to assess staffing needs when planning future budget requests.

### **Performance Evaluations Not Completed**

In addition to not monitoring the work activities of officers and inspectors, the Division did not conduct annual performance evaluations for these employees. All eight officers and inspectors we tested did not receive an annual evaluation. Furthermore, six of these employees had not received a performance evaluation in over 4 years. NRS 284.340 requires annual evaluations for employees in the classified service that have achieved permanent status. Exhibit 3 shows the date of the last performance evaluation for the eight employees we tested and the years without an evaluation.

**Employee Performance Evaluations  
Years Without an Evaluation for Eight Employees Tested  
As of October 2006**

<b>Employee</b>	<b>Date of Last Evaluation</b>	<b>Approximate Years Without an Evaluation</b>
A	10/03/2001	5
B	08/14/2002	4
C	08/20/2002	4
D	09/30/2002	4
E	10/01/2002	4
F	10/23/2002	4
G	07/01/2003	3
H	None <sup>(1)</sup>	2

Source: Auditor review of Division personnel files.

<sup>(1)</sup> Employee hired on 7/19/2004.

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

**Recommendations**

4. Coordinate with licensing entities to schedule and perform fire safety inspections efficiently.
5. Supervise inspection activities and coordinate work among officers and inspectors.
6. Review employee reports on work activities to verify information is complete and accurate.
7. Monitor employee performance and conduct employee evaluations when required.

**Licensing Programs Can Be Improved**

The Division has not licensed fire protection companies and interior designers as required by state law. Seven of 60 fire protection companies and all 18 interior

designers tested were not licensed by the Division. Despite the requirement to license these entities, the Division does not have a process to identify businesses needing a license. Not licensing these businesses results in increased risk to the public and lost revenue for the Division. We estimate that \$17,300 in license fees were not collected from the unlicensed businesses we identified.

### **Some Fire Protection Companies Not Licensed**

The Division did not license 7 of 60 fire protection companies we tested. Fire protection companies include all businesses which service, install, or sell fire extinguishers, fire alarm systems, or fire sprinkler systems. All of the businesses selected were easily identified through State Contractors' Board records. Two of the seven fire protection companies operating without a license had been in operation for more than 5 years.

NRS 477.033 requires the Division license fire protection companies. Furthermore, the Division may perform inspections, conduct examinations or hold hearings before issuing a license. State law also allows the Division to charge a reasonable fee for issuing the license. Fire protection companies are charged annual license fees up to \$440 for each license classification.

The Division did not have a process to identify businesses requiring a license. Licensing fire protection companies will help to ensure they are properly certified to install fire protection equipment. In addition, we estimate the Division should have collected approximately \$12,700 in fees since the seven unlicensed businesses started operating. Of this amount, \$4,800 should have been collected in 2006.

### **No Process to Ensure Interior Designers Are Registered**

The Division also does not have a process to ensure interior designers are registered. We tested 18 interior designers and determined none were registered by the Division. These businesses were identified through county business license websites. Six of these interior designers have been in business more than 5 years.

State law requires the Division establish regulations for the registration of interior designers. NRS 477.032 requires the establishment of regulations for minimum qualifications for certification, criteria for study of building codes, and continuing professional education requirements. However, any interior designer licensed by the

State Board of Architecture, Interior Designers, and Residential Designers is not required to obtain a certificate of registration from the Division.

Ensuring certification of interior designers is a safety issue. Persons involved with fire rated materials in commercial establishments must have a level of knowledge necessary to protect the public. Certification also provides revenue used to fund Division operations. For the 18 businesses tested, we estimate that more than \$4,600 in fees were not collected during the time the businesses were licensed by the county. Of this amount, \$900 should have been collected in 2006.

### **Recommendation**

8. Develop policies and procedures to identify and license fire protection and interior design businesses.

### **Better Separation of Duties Is Needed**

The Division did not adequately separate inspection, billing, and collection duties for inspectors. Two inspectors collected payments from businesses when performing inspection related activities. Separation of duties was not adequate because these inspectors also identified the facilities to inspect, performed follow-up inspections, and handled inspection and application documentation. Although management indicated inspectors would no longer be allowed to collect fees, the Division did not have policies and procedures regarding these collection activities.

State accounting procedures recommend the responsibilities for billing, collecting, and recording revenues be separated among individuals when possible. Also, NRS 353A.020 requires agencies to appropriately segregate duties to safeguard the assets of the agency. Without separation of duties, fee revenue is susceptible to loss without being detected. No one individual should control all key aspects of a transaction or event.

### **Recommendation**

9. Develop policies and procedures to ensure duties related to collecting payments are adequately separated.

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# Appendices

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## Appendix A Audit Methodology

To gain an understanding of the State Fire Marshal Division, we reviewed state laws and regulations, interviewed management and staff, and reviewed policies and procedures. We also reviewed prior audit reports, legislative and executive budgets, legislative committee minutes, and state accounting records. In addition, we reviewed Department reports and statistics. Finally we observed activities at the Division's Carson City, Elko, Las Vegas, Pahrump, and Reno offices.

To determine if hazardous material facilities were identified by the Division, we judgmentally selected a sample of 80 businesses from business license records and a local government report. Facilities were selected based on license classification and types and quantities of chemicals stored. We compared these businesses to the Division's database to determine if they had a permit. For each business not in the database, we determined how long it was operating without a permit and estimated the amount of uncollected revenue.

To verify hazardous material permits were renewed, we requested information from the database about facilities with delinquent balances. We randomly selected 40 businesses with delinquent balances and verified whether they were still in operation. In addition, we determined the period the businesses were delinquent. Finally, we estimated the amount of uncollected revenue from these businesses.

To determine if state buildings were inspected annually, we judgmentally selected 60 buildings from a list of approximately 2,400 buildings maintained by the State Public Works Board. When selecting buildings, we considered the location, size, and use of the building. We requested and reviewed the Division's inspection records for the two most recent inspections. Furthermore, we analyzed the two most recent inspection dates for each facility and the time between inspections.

To evaluate the adequacy of management supervision over staff, we analyzed operations data for eight DPS Officers and Inspectors. As part of our analysis, we

reviewed the time to perform inspection, investigation, consultation, administrative, and travel functions. In addition, we analyzed the efficiency of inspection activities. We also reviewed personnel records and documented employee evaluations.

To determine if the Division licensed fire protection businesses, we selected 60 of the 84 businesses from the State Contractors' Board list. We verified these businesses were still in operation then compared them to the Division's database. Furthermore, we determined the amount of time each business had operated without a license and estimated the amount of uncollected revenue.

To determine if the Division issued certificates of registration to interior designers, we selected 20 designers from local business license websites. We verified that 18 of 20 interior designers were not registered with the State Board of Architecture, Interior Designers, and Residential Designers. Then, we searched the Division's database to identify if these 18 designers were registered. Finally, we estimated the uncollected revenue for unregistered interior designers.

To verify fees collected by inspectors were deposited, we reviewed one inspector's receipts for missing receipt numbers. In addition, we reviewed three months' receipts and traced the amounts and company names to the Division's deposit logs and the state accounting system. For another inspector, we analyzed and compared the number of inspection certificates issued and fees collected to the inspection certificate fees recorded in the state accounting system.

Our audit work was conducted from June 2006 to January 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 State Fire Marshal and the Director of the Department of Public Safety. On March 23, 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 C, which begins on page 28.

Contributors to this report included:

Todd Peterson  
Deputy Legislative Auditor

Eugene Allara, CPA  
Deputy Legislative Auditor

Rocky Cooper, CPA  
Audit Supervisor

Stephen M. Wood, CPA  
Chief Deputy Legislative Auditor

**Appendix B**  
**Annual State Building Inspections – Sample of 60 Tested**  
**As of October 26, 2006**

Number	County/City	Building	Auditor Review of Available Records		Inspections Performed Annually <sup>(1)</sup>	
			Most Recent Inspection	Prior Inspection	Yes	No
<b>CARSON CITY</b>						
1	Carson City	SHPO and Exhibit Hall	Unknown	Unknown	No	No
2	Carson City	Blasdel Building	7/10/2003	Unknown	No	No
3	Carson City	Kinhead Building	1/03/2005	8/19/2003	No	No
4	Carson City	DMV Computer Facility	Unknown	Unknown	No	No
5	Carson City	Capitol	No Documentation	Unknown	No	No
6	Carson City	Corrections' Regional Medical Facility (Unit 8)	Unknown	Unknown	No	No
7	Carson City	Nevada State Museum	Unknown	Unknown	No	No
8	Carson City	Supreme Court	Unknown	Unknown	No	No
9	Carson City	Attorney General's Office	1/31/2005	No Documentation	No	No
10	Carson City	Lawrence E. Jacobsen Center	Unknown	Unknown	No	No
11	Carson City	NDOT's Headquarters Building	3/21/2006	Unknown	No	No
12	Carson City	WNCC's High Tech Center Carson High School	Unknown	Unknown	No	No
13	Carson City	WNCC's Bristlecone Main Bldg. and Addition	No Documentation	Unknown	No	No
14	Carson City	Human Resources' Boys & Girls Club (Admin)	Unknown	Unknown	No	No
15	Carson City	DoIT's Computer Facility	10/3/2006	Unknown	No	No
Subtotal					0	15
<b>CHURCHILL</b>						
16	Fallon	Fallon Local Office	Unknown	Unknown	No	No
Subtotal					0	1
<b>CLARK</b>						
17	Boulder City	Boulder City Museum History Center	Unknown	Unknown	No	No
18	Boulder City	Southern Nevada Veterans Home	Unknown	Unknown	No	No
19	Boulder City	CCSN's Boulder City Campus	Unknown	Unknown	No	No
20	Henderson	CCSN's Henderson Campus Phase III	Unknown	Unknown	No	No
21	Henderson	DMV Office	Unknown	Unknown	No	No
22	Indian Springs	Corrections' Housing Unit A-10	Unknown	Unknown	No	No
23	Las Vegas	Sawyer Office Building	Unknown	Unknown	No	No
24	Las Vegas	Desert Regional CTR Administration	Unknown	Unknown	No	No
25	Las Vegas	NHP Office Building	Unknown	Unknown	No	No
26	Las Vegas	Lied Library	Unknown	Unknown	No	No
27	Las Vegas	Belrose Building	Unknown	Unknown	No	No
28	Las Vegas	Desert Willow Treatment CTR	Unknown	Unknown	No	No
29	Las Vegas	FAST/TMC Complex	Unknown	Unknown	No	No
30	North Las Vegas	Alta Ham Fine Arts	Unknown	Unknown	No	No
31	North Las Vegas	Clark County Armory	Unknown	Unknown	No	No
Subtotal					0	15
<b>ELKO</b>						
32	Carlin	NDF's Administration Office	2/03/2005	No Documentation	No	No
33	Carlin	Corrections' Carlin CC Housing Unit	2/03/2005	No Documentation	No	No
34	Elko	Agriculture Regional Office	8/29/2006	4/23/2003	No	No
35	Elko	GBC's Elko High Tech Center	1/25/2005	7/16/2003	No	No
36	Elko	State Agencies Building	4/23/2003	9/25/2002	No	No
37	Elko	GBC's McMullen Hall, Offices/Classrooms	1/25/2005	7/16/2003	No	No
38	South Fork	CNR's Office Complex	7/10/2006	3/15/2005	Yes	No
Subtotal					1	6

**Appendix B**  
**Annual State Building Inspections – Sample of 60 Tested**  
**As of October 26, 2006**  
(continued)

Number	County/City	Building	Auditor Review of Available Records		Inspections Performed Annually <sup>(1)</sup>	
			Most Recent Inspection	Prior Inspection	Yes	No
<b>HUMBOLDT</b>						
39	Winnemucca	Corrections' Administration/Housing Unit	No Documentation	Unknown		No
Subtotal					0	1
<b>LANDER</b>						
40	Austin	Wildlife's Office	Unknown	Unknown		No
Subtotal					0	1
<b>LINCOLN</b>						
41	Caliente	Human Resources' Classrooms/Library	Unknown	Unknown		No
Subtotal					0	1
<b>LYON</b>						
42	Yerington	Military's Hazardous Waste Storage Building (#1)	Unknown	Unknown		No
Subtotal					0	1
<b>STOREY</b>						
43	Virginia City	Comstock Historic District Office	Unknown	Unknown		No
Subtotal					0	1
<b>WASHOE</b>						
44	Reno	Reno Warehouse	Unknown	Unknown		No
45	Reno	DMV Reno Office	3/24/2004	No Documentation		No
46	Reno	NNCAS Children's Behavioral Services	No Documentation	No Documentation		No
47	Reno	Edison Way Technology Center	Unknown	Unknown		No
48	Reno	UNR's Fleischmann Agriculture	Jan-06	Jan-05	Yes	
49	Reno	UNR's University Inn	Jan-06	Jan-05	Yes	
50	Reno	NDOT's Maintenance Station	Unknown	Unknown		No
51	Reno	Military's Storage Building 2	Unknown	Unknown		No
52	Reno	Red Mountain Bldg. (Phase III)	No Documentation	8/4/2004		No
53	Reno	UNR's Millennium Dorm (Phase II)	Jan-06	Jan-05	Yes	
54	Sparks	Human Resources' Administration Bldg. #1	No Documentation	4/14/2005		No
55	Sparks	Dini-Townsend Hospital-Bldg. 25	No Documentation	4/14/2005		No
56	Sparks	Hand Up Homes for Youth Bldg. 8	No Documentation	4/14/2005		No
57	Sparks	Lab/Pharmacy Bldg. 3	No Documentation	4/14/2005		No
58	Stead	Bldg. 17 Sage Administration	No Documentation	Jan-05		No
Subtotal					3	12
<b>WHITE PINE</b>						
59	Baker	Wildlife's Station and Garage	Unknown	Unknown		No
60	Ely	Forestry Office	Unknown	Unknown		No
Subtotal					0	2
<b>Total</b>					<b>4</b>	<b>56</b>

Source: Auditor analysis of available documentation from the State Fire Marshal Division.

<sup>(1)</sup> Annual inspections mean two documented inspections in the last 2 years as of October 2006.

Note: "No Documentation" means the State Fire Marshal Division indicated an inspection was performed but could not provide documentation.

**Appendix C**  
**Response From the State Fire Marshal Division**

**Jim Gibbons**  
*Governor*



**Phillip A. Galeoto**  
*Director*

**James M. Wright**  
*State Fire Marshal*

**Division of the State Fire Marshal**

Stewart Facility  
107 Jacobsen Way  
Carson City, NV 89711  
(775) 684-7500 • Fax (775) 684-7518

March 29, 2007

Mr. Paul V. Townsend, Legislative Auditor  
State of Nevada  
Legislative Counsel Bureau  
401 S. Carson Street  
Carson City NV 89701-4747

Dear Mr. Townsend:

It was a pleasure meeting you and your staff on March 23, 2007 when we discussed the Preliminary Audit Report on the Department of Public Safety, State Fire Marshal Division. The Division has had the opportunity to further review the preliminary report and, as I indicated during our meeting, I have to concur with the audit findings.

Upon my arrival at the State Fire Marshal Division in late August 2006, I have been grappling with various problems within the organization resulting from years of instability ranging from leadership and accountability issues, insufficient funding, to unrealistic and unfunded State mandates.

I view this audit report as a tool, which I can utilize to finalize and implement a corrective action plan to resolve the noted discrepancies. Realizing that some of the items have been corrected or are currently being addressed, there are some, based upon my research, that will require some time for the development of processes and procedures to adequately address a corrective course.

As difficult as it is to read a report of this nature regarding problems and issues that I inherited when assuming command of this organization, I have given my commitment to correct these issues to the best of my ability with the resources available. I also appreciate the fair and generalized recommendation statements included in the audit for the various findings. I believe the recommendations provide sufficient suggestions and latitude for our corrective actions, as indicated by the enclosed Response to Audit Recommendations form.

In closing, I would like to express that working with your staff during the audit process was pleasant and very professional.

Sincerely,

A handwritten signature in cursive script that reads "James M. Wright".

James M. Wright, Chief  
Nevada State Fire Marshal Division

**Attachment**

C: Phil Galeoto, Director Department of Public Safety  
Kathalie Koche, Executive Officer, Department of Public Safety  
Dana Howry, Administrative Services Officer, State Fire Marshal Division  
Jay Giovacchini, Internal Audit, Department of Public Safety

## State Fire Marshal Division Response to Audit Recommendations

<u>Recommendation Number</u>		<u>Accepted</u>	<u>Rejected</u>
1	Develop policies and procedures to ensure the process for identifying facilities requiring a hazardous material permit is efficient and effective.....	<u>  X  </u>	<u>      </u>
2	Develop policies and procedures to track hazardous material permit renewals and follow up on expired permits.....	<u>  X  </u>	<u>      </u>
3	Establish an efficient process to ensure state buildings are inspected annually, including policies and procedures to identify, perform, and document inspections .....	<u>  X  </u>	<u>      </u>
4	Coordinate with licensing entities to schedule and perform fire safety inspections efficiently .....	<u>  X  </u>	<u>      </u>
5	Supervise inspection activities and coordinate work among officers and inspectors .....	<u>  X  </u>	<u>      </u>
6	Review employee reports on work activities to verify information is complete and accurate. ....	<u>  X  </u>	<u>      </u>
7	Monitor employee performance and conduct employee evaluations when required .....	<u>  X  </u>	<u>      </u>
8	Develop policies and procedures to identify and license fire protection and interior design businesses.....	<u>  X  </u>	<u>      </u>
9	Develop policies and procedures to ensure duties related to collecting payments are adequately separated .....	<u>  X  </u>	<u>      </u>
	TOTALS	<u>    9    </u>	<u>    0    </u>