

Audit Highlights



Highlights of performance audit report on the Division of Industrial Relations issued on May 2, 2018. Legislative Auditor report # LA18-19.

Background

The Division of Industrial Relations is part of the Nevada Department of Business and Industry. The mission of the Division is to promote the health and safety of Nevada employees and the general public by providing workplace safety consultation and training, conducting inspections of businesses to ensure proper procedures relating to health and safety are being followed, and for confirming that injured employees are properly cared for following an accident on the job.

The Division operates six sections: Mechanical Compliance, Mine Safety and Training, Workers' Compensation, Occupational Safety and Health Administration, Safety Consultation and Training, and Legal / Labor Statistics. The Division is primarily funded with appropriations, fees, and federal grants. The Division oversees four operating accounts and six special purpose budget accounts.

The Division has 215 full-time equivalent positions as of April 2017. Personnel are located in four offices throughout the State, in Carson City, Reno, Elko, and Henderson. The Administrator of the Division is located in Henderson.

Purpose of Audit

The purpose of this audit was to determine the adequacy of the Division's regulatory processes related to elevators, boilers, and mines. The scope of our audit focused on fiscal year 2017; although we reviewed information through October 2017 and from prior years based on data available in the Division's database.

Audit Recommendations

This audit report contains nine recommendations to improve regulatory oversight of elevators, boilers, and mines. These recommendations include developing processes and controls to ensure elevators and boilers have operating certificates and inspection violations are resolved. Additionally, two recommendations address mine safety by requiring better management information and procedures to ensure regulatory functions are performed.

The Division accepted the nine recommendations.

Recommendation Status

The Division's 60-day plan for corrective action is due on July 27, 2018. In addition, the six-month report on the status of audit recommendations is due on January 27, 2019.

Division of Industrial Relations

Department of Business and Industry

Summary

The Division of Industrial Relations (Division) does not have adequate processes over regulatory activities for elevators and boilers. Specifically, about 5,500 elevators and boilers were operating without required certificates as of June 30, 2017. Operating certificates are issued after a thorough inspection process and verify the elevator or boiler is meeting standards that promote safety. Since operating certificates were not issued, sometimes for multiple inspection cycles, the Division did not collect an estimated \$1.4 million in fees over the course of several years. Operating certificates were not issued partly because code violations noted during inspections were not monitored or cleared. In certain instances, serious violations existed for years before follow-up occurred. In an effort to reduce the inspection backlog, the Division transferred certain regulatory duties to outside entities, but did not provide sufficient guidance or oversight over third-party inspections and related activities. Finally, the Division does not have adequate management information over mining regulatory activities to reduce the risk of mining accidents.

Key Findings

The Division does not take reasonable steps to ensure elevators and boilers have certificates to verify operating safety. A review of data from the Division's tracking system indicated as many as 4,360 elevators and 1,188 boilers were operating without a certificate as of June 30, 2017. Some of these objects operated for years without a valid operating certificate. Furthermore, another 90 objects constructed since 2005 never received a final inspection to certify installation was in accordance with established codes. Elevators and boilers operated without certificates because the Division relies entirely upon the owner to identify certificate expiration dates, schedule inspections, and fix code violations. (page 6)

Elevators and boilers were not issued operating certificates for one of three reasons: a routine inspection was not performed, violations were not cleared, or fees were not paid. Our review of 50 objects found nearly half of objects had not been inspected in the cyclical timeframe established by the Division. (page 7)

Our review of information in the Division's database showed at least 90 installations or modified elevators and boilers were not inspected prior to being placed into service, some dating back to 2005. Construction and modification certificates allow 1 year from the date of issuance for the work to be completed before the certificate expires. (page 8)

The Division is not ensuring code violations related to an elevator's and boiler's operating safety are fixed and cleared in a timely manner. Inspection violations are a clear warning these objects are not operating within normally accepted standards and may be unsafe. Yet, our review of 130 inspection violations found the Division is performing limited, if any, procedures to confirm violations are addressed. Unresolved violations also contributed to the Division's loss of certificate fee revenue since some violations must be cleared prior to a certificate being issued. (page 9)

The Division transferred inspection and certain other regulatory responsibilities to third-party agencies, but has not developed sufficient guidance or provided oversight of these activities. Responsibilities were transferred around July 2015 in an effort to reduce the backlog of inspections for elevators and boilers to ensure objects were operating within adopted standards. However, many of the oversight activities outlined in the regulation have not been implemented by the Division. (page 11)

The Division does not have adequate management information to confirm annual mine inspections are performed. Although the Division does have an inspection process, management information to monitor inspections is cumbersome and inefficient. Management reports from its database do not provide sufficient detail to readily identify whether required annual inspections are completed. (page 12)

The Division is not monitoring whether violations from mine inspections are resolved appropriately and timely. Management indicated the Division does not have a uniform process for identifying open violations with past-due deadlines. Three of 20 mine files showed no evidence of any corrective measures being taken by mine operators regarding violations. As a result, the Division cannot be sure violations are resolved and mineworkers are safe. (page 13)