

# Audit Highlights



Highlights of performance audit report on the Department of Administration, State Public Works Division issued on January 16, 2025.

Legislative Auditor report # LA26-01.

## Background

The State Public Works Division's (Division) mission is to provide well-planned, efficient, and safe facilities to state agencies so they can effectively administer their programs. In 2011, the Division was created from the State Public Works Board (Board) and the Buildings and Grounds Division.

The Board provides the Governor of Nevada with recommendations regarding the priority for the construction of Nevada's projects for capital improvements. It is also responsible for adopting regulations and presiding over appeals regarding the qualifications of contractors and contract disputes.

The Division is primarily funded by assessments paid by state agencies for its services, but also received almost \$400,000 in General Fund appropriations in fiscal year 2023. Administrative expenditures for fiscal year 2023 were about \$7.5 million.

In 2023, the number of state facilities overseen by the Division was about 2,400 and comprised 10.1 million square feet. As of May 2024, the Division had 146 authorized positions, with 120 of those positions filled, an 18% vacancy rate. The Division has offices in Carson City and Las Vegas.

## Purpose of Audit

The purpose of the audit was to determine whether the Division had adequate controls to identify, complete, and report on construction projects. The scope of our audit focused on the Division's activities from July 1, 2020, through June 30, 2023, and included Capital Improvement Program projects approved in 2019.

## Audit Recommendations

This audit report contains five recommendations to help identify and use capital improvement funding timely and improve the accuracy of information reported to key decision-makers about the cost of maintenance needed for state facilities in the near future. The Division accepted the five recommendations.

## Recommendation Status

The Division's 60-day plan for corrective action is due on April 14, 2025. In addition, the 6-month report on the status of audit recommendations is due on October 14, 2025.

# Project Identification, Cost Estimation, and Reporting

## State Public Works Division

### Summary

By reallocating unused funds from completed projects to other projects, the Division has opportunities to complete additional capital improvement projects more timely. We identified over \$18 million in savings from recently completed projects that were not submitted to the Interim Finance Committee (IFC) for approval to be used on other projects. Furthermore, the Division can expand the use of an alternative budgeting method to more agencies to improve the timely completion of maintenance projects. Completing projects more timely can reduce project costs and improve conditions at state facilities.

The Division can enhance use of its facility condition assessment reports to benefit the Capital Improvement Program (CIP) development process. Specifically, project managers often did not coordinate with the facilities group or use the facility condition assessment reports to assist with identifying CIP needs. Better coordination would help ensure project recommendations from the facility condition assessment reports are completed more timely.

Information reported biennially to the Legislature by the Division about the costs of recommended maintenance for state buildings has some inaccuracies. Specifically, the report included tens of millions of dollars in cost for projects already completed and outdated cost information. The Legislature, Office of the Governor, and State Public Works Board need accurate information when deciding the amount of funds required to keep state facilities in good condition.

Based on a comparison of estimated costs in the CIP to actual project costs, the Division has an effective process for estimating project costs. However, the Division needs to retain documentation of information it uses to develop cost estimates for projects included in the CIP, to allow for greater oversight and to improve the process.

### Key Findings

We identified over \$18 million in savings from the 13 closed projects we tested in our sample of 20 projects from the 2019 CIP. The Division did not present these savings to the IFC to request the projects' expenditure authority be transferred to other approved projects. The Division can enhance policies and procedures to address the reallocation of funds from project savings. (page 5)

The Division has another opportunity to reallocate unused funds to other projects as savings are realized from maintenance projects. This involves including additional maintenance projects in the CIP portion of the State of Nevada Executive Budget so project savings can be reallocated to other deferred maintenance projects without the need for IFC approval. In the 2023 CIP, this method was used for two state departments. Expanding the approach to more departments will result in more maintenance projects being completed more timely. (page 6)

The Division is not fully utilizing its Facility Condition Assessment (FCA) reports as intended in the CIP process. FCA reports include projects that are recommended based on periodic assessments of state facilities. Four of five CIP projects tested did not have evidence that project managers coordinated with the FCA team and used the reports in developing CIP projects. As a result, projects recommended based on assessments of state facilities may not be completed timely. (page 8)

Information reported biennially to the Legislature by the Division about the cost of recommended maintenance for state buildings has some inaccuracies. We identified costs for 732 projects already completed, which resulted in an error of about \$51 million. Another inaccuracy is the result of using outdated costs for projects. Based on a 5-year estimate, we predict this understated the cost of recommended maintenance in 2023 by as much as \$220 million. (pages 10 and 11)

Our testing found the Division often did not have documents to support the estimated project costs used in the CIP. In instances where it had documentation, there were frequently significant differences between the amounts in the documents and the CIP estimate. This lack of documentation of how estimates were developed makes it more difficult for the Division to evaluate and enhance its process for estimating costs on projects included in the CIP. This increases the risk of inaccurate cost estimates in the CIP. (page 13)

Audit Division  
Legislative Counsel Bureau