

Audit Highlights



Highlights of performance audit report on the Nevada Department of Transportation, Stockroom Purchases, Material Stockpile Management, and Mechanic Productivity issued on January 16, 2025.

Legislative Auditor report # LA26-02.

Background

The Nevada Department of Transportation (NDOT) oversees the planning, construction, operation, and maintenance of 5,400 miles of highway and over 1,000 bridges. Additionally, NDOT maintains a fleet of over 2,000 pieces of heavy equipment and 700 vehicles.

The mission of NDOT is to provide, operate, and preserve a transportation system that enhances safety, quality of life, and economic development through innovation, environmental stewardship, and a dedicated workforce.

NDOT is comprised of four primary divisions: Administration, Engineering, Operations, and Planning.

NDOT has equipment repair shops and stockrooms in each district. Equipment repair shops maintain NDOT's fleet by performing preventative maintenance, repairs, and services for heavy equipment and vehicles.

The stockrooms have purchasing authority and act as a supply center for the district equipment repair shops, maintenance crews, and other NDOT divisions operating in the district.

Purpose of Audit

The purpose of the audit was to determine whether NDOT has effective controls over stockroom purchases, equipment repair shop work, and material stockpiles. Additionally, we determined if management's use of state vehicles is appropriate.

The audit focused on NDOT's activities between January 2022 and June 2023, and through calendar year 2023 for certain activities.

Audit Recommendations

This audit report contains 10 recommendations to improve controls over NDOT assets and resources.

NDOT accepted the 10 recommendations.

Recommendation Status

NDOT'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.

Stockroom Purchases, Material Stockpile Management and Mechanic Productivity

Nevada Department of Transportation

Summary

NDOT continues to experience problems developing and implementing controls to safeguard assets and deter or detect fraud. Specifically, we observed purchasing controls designed to ensure the proper approval and accounting for vehicle and equipment parts were often circumvented and not effective. The proper recording and tracking of parts can also improve. In addition, deficiencies persist in how NDOT safeguards material stockpiles. Although we did not identify fraud during our audit work, given NDOT's history of fraud incidents, strong controls are needed in these areas as millions of dollars in parts and materials are purchased every year.

Low productivity rates at some equipment repair shops highlighted procedural inefficiencies. Specifically, we observed significant variations in productivity between equipment repair shops, with low productivity recorded for several shops. For example, an analysis of shop records found mechanics at one location recorded an average of 2 hours a day working on NDOT vehicles. Furthermore, we observed the inappropriate use of state resources as unnecessary modifications were made to a vehicle and another vehicle was driven almost entirely for personal use. Low productivity and improper use of state resources results in waste and increased costs to the State as mechanics are being paid for duties they are not performing. In addition, fleet costs will increase if vehicle repairs or routine maintenance are not performed timely and routine maintenance is outsourced to vendors.

Key Findings

Controls designed to detect and deter fraud are not fully implemented or enforced. Of the 150 transactions tested, 57 (38%) did not have documentation demonstrating appropriate approvals, or proper separation of duties. In addition, many requisition signatures by NDOT staff were not legible and purchases were made before proper authorization occurred. Furthermore, stockroom staff split purchases to avoid purchasing limits. For 8 of 20 (40%) purchases tested, the same items were procured from the same vendor on the same day, using different invoices. (page 8)

Testing of 41 tire invoices, totaling \$25,000, found they were not accounted for in NDOT's asset management system. Sixteen tires were not on the vehicles identified on the invoices. For example, one invoice contained a purchase for two semitrailer tires, but the unit referenced on the invoice was a passenger car. (page 10)

Equipment repair shop supervisors do not consistently perform quality assurance program inspections of vehicles, which are designed specifically to detect and deter fraud. Four of nine equipment repair shops did not perform any inspections in calendar year 2022. Inspections are designed to ensure parts purchased are installed on a vehicle, and to ensure the quality of work. (page 10)

NDOT has weak controls over material stockpiles and related data, which lead to significant discrepancies between physical inventory counts and records. There were nearly \$25 million in discrepancies between NDOT's records and physical inventory records in fiscal year 2023. Stockpile records are not accurate due to weaknesses in recording purchases and the use of materials. For five of six (83%) material stockpile purchases tested, the correct quantities were not entered into NDOT's material tracking system. In addition, different methods are used to calculate the use of materials and the quantity remaining. Furthermore, NDOT does not properly control the use of stockpile materials by non-state entities. These issues have contributed to qualified opinions in the State of Nevada Single Audit Report for fiscal years 2020, 2021, and 2022. (page 12)

Productivity at equipment repair shops varied significantly between locations and in many cases was below NDOT's standard. For example, one shop recorded less than 27% of work hours, or 2 hours a day to work orders. According to NDOT audit reports, the standard is that 80% of hours should be applied directly to work orders. Low productivity results in waste and increased costs to the State as mechanics are being paid for duties they are not performing and routine maintenance is not performed or is outsourced to vendors. (page 15)

During our audit, we observed instances where the use of NDOT resources benefited the employees more than the interests of the State. Specifically, state vehicles were modified or used for the benefit of state employees. Based on our review of available documentation, we estimate the benefits to the employees to be about \$25,000. (page 17)