



State of Nevada
Governor's Finance Office
Division of Internal Audits

Audit Report

Nevada Department of Transportation

Key Processes and Operations Management

Improved oversight will increase transparency, reduce overtime costs, and ensure compliance.

DIA Report No. 25-03
July 29, 2025

EXECUTIVE SUMMARY

Nevada Department of Transportation

Key Processes and Operations Management

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Objective: Improve Oversight of Key Processes and Operations

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Increasing oversight of contracting activities and other key processes by adopting formal regulations through the public rulemaking process increases oversight, promotes transparency, and helps ensure Nevada Department of Transportation (NDOT) contracting activities and other key processes are consistent with statutory authority and legislative intent. Properly adopted regulations establish a standard of conduct that has the full force and effect of law and will help: ensure compliance with the Administrative Procedures Act (APA); increase Board of Directors' (Board) and legislative oversight and transparency; ensure public access to the rulemaking process; and ensure fair notice to the public for participation in the rulemaking process.

The Board has been provided with broad authority under its authorizing statute, which it has delegated much of to the NDOT Director through Board-adopted resolutions, including delegated signature authority for agreements and construction contracts. Other states do not grant agency heads broad signature authority without regulatory oversight. Moreover, the Board is the sole oversight body for most NDOT activities and is exempt from the jurisdiction of other state oversight bodies for most contracting and construction related activities. Board and regulatory oversight of contracting activities and other key processes is crucial to ensure transparency and accountability. Agency activities and processes affecting private rights must be adopted as formal regulations or rules of practice pursuant to APA, which NDOT has not done for some contracting activities and key processes.

Improve Personnel and Payroll Practices page 16

Improving personnel and payroll practices by updating, creating, and monitoring internal pay policies and procedures could benefit the state up to \$950,000 annually and will help to: clarify pay parameters; ensure accurate timesheets; ensure overtime is preauthorized; improve supervisory and payroll administrator oversight; reduce overtime; and discourage overtime abuse. Testing of fiscal year 2023 and 2024 overtime timesheets revealed issues related to policy violations, timekeeping, overtime approvals, and excessive overtime. Employees earned overtime on the same day or in the same week as paid leave and 26% of employees with overtime were responsible for almost 60% of overtime incurred for fiscal year 2023 overtime timesheets tested. Employees additionally recorded callback pay while in standby status and submitted timesheets with coding issues, errors, and issues with overtime approvals.

Enhance Policies and Procedures for the Flight Operations Program page 25

Enhancing policies and procedures for the Nevada Department of Transportation (NDOT) Flight Operations program by requiring aircraft activities to comply with Highway Fund and Federal Aviation Administration (FAA) rules will help ensure aircraft are engaged only for allowable Highway Fund activities, passenger travel is for bona fide official state business only, and the program continues to comply with FAA regulations. Existing policies and procedures are inadequate and do not prohibit NDOT aircraft from being engaged for any reason other than for Highway Fund activities defined in statute. Policies allow for charging passengers and other state agencies for flight services, which is prohibited by the FAA for NDOT flight operations. Additionally, flight manifests do not document flight and passenger trip purpose, which would help ensure passengers are traveling for official state business only and FAA rules for aerial surveying are enforced.

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INTRODUCTION

At the direction of the Executive Branch Audit Committee, the Division of Internal Audits (DIA) conducted an audit of the Nevada Department of Transportation (NDOT). The audit focused on NDOT's key processes related to contracting activities, personnel time management, and flight operations. The audit's scope and methodology, background, and acknowledgments are included in Appendix A.

DIA's audit objective was to develop recommendations to:

- ✓ Improve oversight of key processes and operations.

Nevada Department of Transportation Response and Implementation Plan

DIA provided draft copies of this report to NDOT for review and comment. DIA considered NDOT's comments in the preparation of this report; NDOT's response is included in Appendix B. In its response, NDOT accepted the recommendations. Appendix C includes a timetable to implement the recommendations.

NRS 353A.090 requires within six months after the final report is issued to the Executive Branch Audit Committee, the Administrator of the Division of Internal Audits shall evaluate the steps NDOT has taken to implement the recommendations and shall determine whether the steps are achieving the desired results. The Administrator shall report the six-month follow-up results to the committee and NDOT.

The following report (DIA Report No. 25-03) contains DIA's *findings, conclusions, and recommendations*.

Improve Oversight of Key Processes and Operations

The Nevada Department of Transportation (NDOT) can improve oversight of key processes and operations by:

- Increasing oversight of contracting activities and other key processes;
- Improving personnel and payroll practices; and
- Enhancing policies and procedures for the Flight Operations program.

Improving oversight of key processes and operations will increase transparency through the administrative rulemaking process, reduce overtime costs, and ensure compliance with statute and Federal Aviation Administration regulations. Improving oversight of key processes and operations could benefit Nevada by up to \$950,000 annually.

Increase Oversight of Contracting Activities and Other Key Processes

The Nevada Department of Transportation (NDOT) should increase oversight of contracting activities and other key processes by adopting formal regulations and rules of practice in accordance with the requirements of NRS 233B, referred to as the Nevada Administrative Procedure Act (APA).¹ Increasing oversight will: ensure NDOT complies with the APA; increase Board of Directors' (Board) and legislative oversight and transparency; ensure public access to the rulemaking process; and ensure fair notice to the public for participation in the rulemaking process.

NRS 408 is the primary statute governing NDOT operations with the legislative intent of making "...the Board of Directors of the Department of Transportation custodian of the state highways and roads and [providing] sufficiently broad authority to enable the Board to function adequately and efficiently in all areas of appropriate jurisdiction, subject to the limits of the Constitution and the legislative mandate proposed..."² The Board is authorized to delegate this broad authority as it deems necessary, in accordance with several sections of its authorizing statute.³

¹ For purposes of this report, contracting activities include the procurement of agreements, construction contracts, design-build contracts, amendments, and other legal instruments requiring execution by the Board and/or the Director.

² NRS 408.100(5).

³ NRS 408.100(6)(b); NRS 408.131(6).

Board Has Delegated Much of Its Broad Authority to NDOT Director

The Board has delegated much of its broad authority granted by statute to the NDOT Director through Board resolutions adopted at public meetings. At NDOT's request at the April 30, 1990 Board meeting, the Board delegated signature authority to the Director to enter into all agreements, construction contracts, and other legal instruments without Board review and approval. This absence of Board oversight remained in place until the July 11, 2011 Board meeting, at which time the Board established limitations to the Director's delegated signature authority.

NDOT tracks Director and Board approval authorities for agreements, contracts, and various NDOT key processes in its Board of Directors' Matrix (Matrix). See Appendix D for the Matrix. The Matrix was most recently approved by the Board at the August 12, 2024 Board meeting to align the Matrix with current processes and to improve source and historical information.⁴

Board Established Limitations in Delegated Authority for Transparency

The Board established limitations to the Director's delegated signature authority in 2011 to be more transparent and provide more information to the public and the Board. A representative from the Office of the Attorney General present at the July 11, 2011 Board meeting observed that the 1990 authorization for the Director to enter into all contracts was an "extraordinary delegation of authority." Board action taken in 2011 limited the Director to approving agreements up to \$300,000 and construction contracts up to \$5 million. Agreements and contracts above these thresholds required Board approval with the intent of providing for more accountability and oversight between the Board and NDOT.

2023 Board Action Significantly Increased Director's Authority

The 2011 approval thresholds pertaining to the Director's delegated signature authority remained in place until the November 13, 2023 Board meeting, when NDOT requested, and the Board approved, a significant increase effective December 31, 2023. The Director's delegated signature authority increased from \$300,000 to \$10 million for agreements and from \$5 million to \$40 million for construction contracts, or increases of 3,233% and 700%, respectively.⁵ NDOT's request for the increase in the Director's delegated signature authority raised concerns with the Board and a member of the public.

⁴ The Board again revised the Director's delegated signature authority on June 9, 2025, and the draft Matrix in Appendix D was pending Board approval at the time of report writing.

⁵ The Director's delegated signature authority was again amended at the December 11, 2023 Board meeting whereby Board approval is required for any contracts in which the low bid received is greater than 20% more than the engineer's estimate when the engineer's estimate is \$5 million or more.

Concerns Voiced Regarding Significant Increase in Delegated Authority

Board members and a member of the public voiced concerns regarding NDOT's request for a significant increase in the Director's delegated signature authority at the November 2023 Board meeting. The member of the public, a representative of a local trade union, stated increasing the signature authority of the Director to these levels was far beyond an inflationary adjustment. NDOT submitted information for Board review to support its request for the increase, including a review of signature authority in other states completed by a third party contractor.⁶ NDOT represented at the meeting most agreements and contracts signed by the Director are related to day-to-day business.

A Board member questioned whether the Board could bring for discussion or vote on a contract or agreement the Director had already approved. The Director explained already approved contracts or agreements could not come for a vote; however, the Board could ask questions. The Board member indicated the importance of being mindful that accountability and transparency are not undermined with the increase in delegated signature authority; however, the increase was ultimately approved by the Board at the conclusion of the discussion.

Increase in Delegated Authority Reduced Board Oversight and Transparency

The 2023 increase in the Director's delegated signature authority reduced Board oversight and transparency. Most agreements and construction contracts executed since the effective date of the increase through June 30, 2024 were approved by the Director and presented to the Board as informational items. This increase in delegated signature authority resulted in the Board being informed of almost all contracting activities following execution by the Director without an opportunity for the Board to discuss and vote. This decrease in Board oversight negatively impacted transparency in NDOT operations and provided expansive authority to the Director with little oversight.

No Agreements Required Board Approval After Signature Authority Increased

No agreements executed between December 31, 2023 and June 30, 2024 required Board approval following the increase in the Director's delegated signature authority to \$10 million.⁷ All 122 agreements executed were approved by the Director and disclosed to the Board as informational items. In contrast, the Board approved 158 (27.3%) agreements executed prior to the increase in the Director's delegated signature authority during the period of July 1, 2022 through

⁶ Third party review discussed under section titled, "Other States Do Not Grant Agency Heads Broad Signature Authority without Regulatory Oversight."

⁷ Director approvals also include all emergency, grant, and interlocal agreements (except university service agreements), which are presented to the Board as informational items.

December 30, 2023. Exhibit I shows NDOT agreements approved before and after the 2023 increase in the Director's delegated signature authority.

Exhibit I

NDOT Agreements Approved Before and After 2023 Increase in Director's Delegated Signature Authority

July 1, 2022 – December 30, 2023^a	# of Agreements	% of Total Agreements
<i>Director Approval, up to \$300,000</i>	421	72.7%
<i>Board Approval, over \$300,000</i>	158	27.3%
Total	579	100.0%

December 31, 2023 – June 30, 2024^a	# of Agreements	% of Total Agreements
<i>Director Approval, up to \$10 million</i>	122	100.0%
<i>Board Approval, over \$10 million</i>	0	0.0%
Total	122	100.0%

Source: DIA analysis of NDOT agreements executed between July 1, 2022 and June 30, 2024.

Note: ^a DIA included only original agreements meeting approval thresholds executed within each period.

Only One Construction Contract Required Board Approval

Only one of nine (11.1%) highway construction contracts executed between December 31, 2023 and June 30, 2024 required Board approval following the increase in the Director's delegated signature authority to \$40 million.⁸ The remaining eight (88.9%) were approved by the Director and disclosed to the Board as informational items. In contrast, the Board approved 35 of 70 (50.0%) construction contracts executed prior to the increase in the Director's delegated signature authority during the period of July 1, 2022 through December 30, 2023. Exhibit II shows NDOT construction contracts approved before and after the 2023 increase in the Director's delegated signature authority.

⁸ Includes construction contracts over \$40 million and any contract where the low bid received was greater than 20% more than the engineer's estimate when the engineer's estimate is over \$5 million.

Exhibit II

NDOT Construction Contracts Approved Before and After 2023 Increase in Director's Delegated Signature Authority

July 1, 2022 – December 30, 2023 ^a	# of Construction Contracts	% of Total Construction Contracts
<i>Director Approval, up to \$5 million</i>	35	50.0%
<i>Board Approval, over \$5 million</i>	35	50.0%
Total	70	100.0%

December 31, 2023 – June 30, 2024 ^a	# of Construction Contracts	% of Total Construction Contracts
<i>Director Approval, up to \$40 million</i>	8	88.9%
<i>Board Approval, over \$40 million or low-bid^b</i>	1	11.1%
Total	9	100.0%

Source: DIA analysis of NDOT construction contracts executed between July 1, 2022 and June 30, 2024.

Notes: ^a DIA included only original construction contracts meeting approval thresholds executed within each period.

^b Includes contracts over \$40 million and any contract when the low bid received is greater than 20% more than the engineer's estimate when the engineer's estimate is over \$5 million.

Additional Concerns Resulted in Decrease in Director's Delegated Signature Authority

Additional concerns raised in Board meetings subsequent to the 2023 increase resulted in the Board decreasing the Director's delegated signature authority at the June 2025 meeting to half the thresholds approved at the November 2023 meeting. At the May 2025 meeting, NDOT cited a four-to-six week delay to bring construction contracts to the Board as reasoning to support maintaining the higher 2023 delegated signature authority threshold. A Board member disclosed they had received input from the private sector suggesting the delegated signature authority was too high and expressing a desire for more transparency on contracts and agreements. Following discussion at several Board meetings, the Director's delegated signature authority was reduced at the June 2025 meeting from \$10 million to \$5 million for agreements and from \$40 million to \$20 million for construction contracts.

Data Shows Board Oversight and Transparency Impacted by Delegated Signature Authority Thresholds

A review of agreement and construction contract data shows Board oversight and transparency in NDOT operations are impacted by the Director's delegated signature authority thresholds. The Division of Internal Audits (DIA) conducted an analysis to calculate the number of agreements and construction contracts

executed within fiscal years 2023 and 2024 and categorized them by original value. If the November 2023 increases to the Director's delegated signature authority had been in place for the entire period reviewed, only 5 of 701 (0.7%) agreements and 6 of 79 (7.6%) construction contracts in the two-year period would have required Board approval. Assuming the two-year period represents typical NDOT contracting activities, Board oversight and transparency will continue to be impacted by the Director's delegated signature authority depending on approval thresholds. Exhibits III and IV show agreements and construction contracts stratified by value for fiscal years 2023 and 2024.

Exhibit III

Agreements by Value Fiscal Years 2023 and 2024

Agreement Value	# of Agreements	% of Total Agreements
\$0 - \$300,000 ^a	476	67.8%
> \$300,000 – \$1 million	102	14.6%
> \$1 million – \$3 million	71	10.1%
> \$3 million – \$6 million	34	4.9%
> \$6 million – \$10 million ^b	13	1.9%
> \$10 million	5	0.7%
Total	701	100.0%

Source: Auditor compilation of NDOT agreement data.

Notes: ^a The Director's delegated signature authority threshold for agreements was \$300,000 from July 2011 through December 30, 2023.

^b The Director's delegated signature authority threshold for agreements increased to \$10 million effective December 31, 2023.

Exhibit IV

Construction Contracts by Value Fiscal Years 2023 and 2024

Contract Value	# of Contracts	% of Total Contracts
\$0 - \$5 million ^a	41	51.9%
> \$5 million – \$10 million	8	10.1%
> \$10 million – \$15 million	8	10.1%
> \$15 million – \$30 million	15	19.0%
> \$30 million – \$40 million ^b	1	1.3%
> \$40 million	6	7.6%
Total	79	100.0%

Source: Auditor compilation of NDOT construction contract data.

Notes: ^a The Director's delegated signature authority threshold for construction contracts was \$5 million from July 2011 through December 30, 2023.

^b The Director's delegated signature authority threshold for construction contracts increased to \$40 million effective December 31, 2023.

Other States Do Not Grant Agency Heads Broad Signature Authority without Regulatory Oversight

Other states do not grant broad signature authority to agency heads without regulatory oversight. NDOT contracted with a third party engineering firm to conduct a review of signature authority for seven states, which was reported to the Board in conjunction with its request for increases to the Director's delegated signature authority at the November 13, 2023 Board meeting.⁹ The review showed all but one of the states surveyed allow the agency head unlimited or undefined signature authority as long as state appropriation limits, procurement laws, and/or administrative rules are followed.¹⁰ In contrast, NDOT is not subject to most State of Nevada contract procurement laws and/or administrative rules. The review supports the case that regulatory oversight is necessary to ensure transparency in NDOT operations.

Board is the Sole Oversight Body for Most NDOT Activities

The Board is the sole oversight body for most NDOT projects, operations, and contracting activities. As part of its broad authority, the Legislature granted NDOT exemption from the jurisdiction of other state oversight bodies for most contracting and construction related activities, including the State Board of Examiners (BOE) and the State Public Works Division (SPWD).

Statute Exempts NDOT from BOE Oversight for Most Contracting Activities

Statute exempts NDOT from BOE oversight for most contracting activities, with the exception of certain contracts.^{11,12} Non-exempted Executive Branch agencies contracting for the procurement of goods and services are required to follow specific criteria in solicitation and procurement actions. The BOE reviews claims for payment pursuant to legislative appropriation or authorization, including contracts and agreements. State contracting requirements under the purview of the BOE are defined by statute, regulation, and the State Administrative Manual promulgated by the BOE.

BOE members are the Governor, Secretary of State, and the Attorney General, with the Governor acting as Chair and the Director of the Governor's Office of

⁹ The following states were included in the review: Alaska, Arizona, California, Idaho, Oregon, Utah, Washington. See Appendix E for "Signature Authority Review for NDOT," issued by Jacobs Engineering Group Inc. on October 25, 2023.

¹⁰ The remaining state, Idaho, allows the Director to approve consultant contracts up to \$1.0 million and construction contracts for projects listed in a board-approved bond-funded investment program approved at the program level by the state legislature, similar to SPWD's legislatively-approved Capital Improvement Plan.

¹¹ NRS 333.700(8); NRS 333.705(1)(c); NRS 408.353. Contracts with NDOT Board members, directors, officers, and employees, or service contracts entirely funded by federal money with a contract term greater than four years must be authorized by the BOE before contract execution.

¹² NDOT's exemption from BOE oversight for most contracting activities was affirmed by the Office of the Attorney General in Opinion No. 96-31 (1996).

Finance acting as the ex officio Clerk of the State BOE.¹³ The constitutional members that make up the BOE, the expertise of the Clerk, and their statutory duties provide robust oversight and help increase transparency for state agency operations, protect the interests of the state, and reduce liability and costs to the state.

Statute Exempts NDOT from SPWD Oversight for Most Construction Projects

Statute exempts NDOT from SPWD oversight for most construction projects and contracting activities under its purview, except in limited circumstances such as the construction of public office buildings constructed on state land and materials recycling for highway projects.¹⁴ The SPWD and its board are responsible for promulgating requirements for state and local public bodies in contracting for the provision of labor, materials, equipment, or supplies for a public works project. Statute defines a public work as "...any project for the new construction, repair, or reconstruction financed in whole or in part from public money, including state public agencies sponsoring or financing a public work on state-owned lands."¹⁵ These projects are funded by multiple funding sources including federal funds, agency funds, the state General Fund, state-issued bonds, and other resources.

The Legislature authorizes public works projects included in the SPWD's Capital Improvement Plan (CIP), which have been vetted by the SPWD board and approved by the Governor. Following approval of the CIP by the SPWD board, Governor, and the Legislature, the SPWD Administrator has the authority to enter into construction contracts without BOE oversight; however, service-related and other contracts under the BOE's purview must still be submitted for BOE review and approval. The SPWD is required to consult in the interim with the Interim Finance Committee (IFC) of the Legislature before approving final plans or changes to existing CIP projects and/or budgets, including new construction, major repairs, and landscaping. These activities allow for transparency, public participation, and regulatory oversight by way of the SPWD board and the Legislature.

Changes to NDOT Project Budgets Exempt from Legislative Oversight

Changes to NDOT project budgets are exempt from legislative oversight due to NDOT's budget structure and accounting practices. The IFC has the authority to conduct investigations and hold hearings regarding any matter which is pertinent to its legislative business or possible future legislative action. Unlike the SPWD,

¹³ NRS 353.010; NRS 353.030; NRS 353.033.

¹⁴ NRS 338.480; NRS 338.1373(3)-(4). NDOT is exempted from the provisions of NRS 338.400 to 338.645, inclusive.

¹⁵ NRS 338.010(19). Public works include: public buildings, jails and prisons, public roads, public highways, public streets and alleys, public utilities, publicly owned water mains and sewers, public parks and playgrounds, public convention facilities which are financed in part with public money, and all other publicly owned works and property.

NDOT is not required to submit a formal, explicitly stated list of projects like the CIP to the Legislature for approval and oversight. The majority of NDOT project budgets and related expenditures are accounted for within a single spending category of one budget account (BA). This budget structure exempts NDOT from IFC approval for new projects and modifications to existing project budgets because of procedural technicalities related to legislative oversight of agency budgets.

NDOT Accounts for Most Activities in One Budget Account

NDOT accounts for most operational and contracting activities in one budget account, 4660 Transportation Administration. For fiscal year 2024, BA 4660 accounted for \$1.2 billion (81.7%) of the \$1.5 billion in departmental funding, receipts, and cash balances, with spending comparable to funding sources for the same period. The majority of expenditures were attributed to NDOT contracting activities, or \$909 million (74.4%), which were accounted for in a nondescript single spending category titled “BLDGS/IMPRV.” This methodology leads to a compact departmental accounting structure, making it difficult for distinct transactions to be easily identifiable and contributing to reduced transparency for underlying activities.

NDOT Accounting Within One Category Eliminates the Need to Adjust Expenditure Authority

Accounting for project budgets and related expenditures within one category of its primary budget account eliminates the need for NDOT to adjust expenditure authority across categories or budget accounts. This allows NDOT to bypass IFC review and approval for modifications to project budgets and related spending. Statute requires modifications to budget account revenue or expenditure authority to be approved by the Legislature, or the IFC when not in session, for modifications that cumulatively amount to more than \$75,000 in a fiscal year and change budget authority by 20%, or by \$350,000 whichever is less.¹⁶ Therefore, NDOT is exempted from legislative oversight for newly contracted or modified projects due to its budget structure.

IFC Represents the Money Committees of the Full Legislature

The IFC represents the money committees of the full Legislature and functions within the Legislative Counsel Bureau (LCB) between sessions to administer a contingency fund, review state agency requests to accept gifts and grants, modify legislatively-approved budgets, and reclassify state merit positions. Members of the IFC are members of the Senate Committee on Finance and the Assembly Committee on Ways and Means from the preceding session. Legislative review

¹⁶ NRS 353.220.

and approval of budget modifications promotes a public process, increases transparency, and helps ensure agency activities align with legislative intent.

Board and Regulatory Oversight Is Crucial to Ensure Transparency and Accountability

Board and regulatory oversight of operations is crucial to ensure transparency and accountability, especially given NDOT's exemptions from other state oversight bodies and reduced legislative oversight. The Board's duties include oversight for multiple functions that are normally overseen by other public oversight bodies for Executive Branch agencies, including procuring service agreements and construction contracts. The Board has been granted broad oversight authority, which requires robust, regulated procedures that promote transparency and public participation in the process.

Director's Delegated Signature Authority Adopted through Board Resolutions

The Director's delegated signature authority has been adopted through Board resolutions outside legislatively required procedures. NDOT's authorizing statute permits the Director to execute all plans, specifications, contracts, and instruments necessary for carrying out the provisions of NRS 408.¹⁷ However, the framework for the levels of delegated signature authority and related details have been documented in the Matrix and not adopted through formal regulations. As a result, stakeholders and the public have not been afforded the opportunity to participate and provide feedback on changes to delegated signature authority and other key NDOT processes to the degree granted by statutory rulemaking requirements.

Agency Activities and Processes Affecting Private Rights Must Be Adopted as Formal Regulations Pursuant to the APA

The APA requires certain agency activities affecting the private rights or procedures available to the public to be adopted as formal regulations. Rulemaking under the APA is mandatory for most Executive Branch agencies for the proper execution of functions assigned by law to ensure public access and fair notice to the public. The APA defines a regulation as "[a]n agency rule, standard, directive or statement of general applicability which effectuates or interprets law or policy, or describes the organization, procedure or practice requirements of any agency."¹⁸ In addition to other rulemaking requirements, the APA requires agencies to adopt rules of practice. These rules of practice define the nature and requirements of all formal and informal procedures available, adopted, or used by the agency in the discharge of its functions, including a description of all forms and instructions used by the agency.

¹⁷ NRS 408.205(1).

¹⁸ NRS 233B.038(1)(a).

Rulemaking Authority Granted through Enabling Statute

Executive Branch agencies are granted rulemaking authority through enabling statute, which provides them with the authority to adopt regulations essential for the execution of agency powers and responsibilities conferred by law.¹⁹ The Legislature leaves specific details to be determined by agency regulations that clarify the requirements members of the public must adhere to. The APA exempts some governmental entities from rulemaking requirements; however, NDOT is not one of the exempted entities and NDOT's authorizing statute specifically requires formal rulemaking.²⁰ Therefore, NDOT is required to engage in rulemaking by adopting formal regulations and rules of practice for key agency processes and general standards, under the oversight of the Legislature and in accordance with the APA.

NDOT Has Not Adopted Formal Regulations for Some Key Processes

NDOT has not adopted formal regulations for some key processes, including the authority and duties delegated to the Director by the Board.²¹ Existing NDOT regulations and rules of practice relate mostly to the installation and relocation of transportation facilities and encroachments.²² These regulations and rules of practice do not address the Director's delegated signature authority previously discussed or other key NDOT processes. Moreover, existing NDOT rules of practice do not appear to have been reviewed every three years since their adoption in 2013, as required by statute.²³

Many NDOT Activities and Key Processes Affect Procedures Available to the Public

Many NDOT activities and key processes affect procedures available to the public, which requires NDOT to adopt formal regulations. Another example of procedures available to the public is NDOT's "Pioneer Program Guidelines" manual (Guidelines), which documents procedures for some NDOT contracting activities. NDOT uses the Guidelines to administer "innovative/alternative project delivery through the application of the Guidelines...[and] to develop new approaches to

¹⁹ Enabling statute is a statute that confers (as to an administrative agency) the power or authority to engage in conduct not previously allowed. "Enabling statute." Merriam-Webster.com Legal Dictionary, Merriam-Webster, <https://www.merriam-webster.com/legal/enabling%20statute>. Accessed 26 Jun. 2025.

²⁰ NRS 233B.039; NRS 408.215(4).

²¹ Some but not all NDOT key processes are defined by statute, regulation, and rules of practice. For example, NRS 408.367 authorizes the Director to procure contracts for highway construction, reconstruction, improvements, and maintenance on projects estimated at \$250,000 or less, by using informal bidding procedures.

²² Regulations for transportation facilities are documented in NAC 408. NRS 338.161 defines "transportation facility" as a road, railroad, bridge, tunnel, overpass, conduit or other infrastructure for conveying telecommunications cable, line, fiber or wire, airport, mass transit facility, or parking facility for vehicles.

²³ NRS 233B.050(1)(d).

deliver projects to Nevadans.”²⁴ This statement infers the Guidelines affect a variety of stakeholders and the public in general.

The Guidelines compile details for program contract procurement procedures that “...are not legislatively mandated but are intended to guide both the Department’s staff and the public sector on the delivery of solicited or unsolicited proposals for the various alternative delivery methods under the Pioneer Program. In no event shall any failure by the Department to follow the processes and approaches set forth in the Guidelines give recourse to any individual or entity...Revisions to these Guidelines may only be made at the direction of the Pioneer Program Director (PPD), in consultation with the Department Director.”²⁵ The Guidelines are nonbinding, there is no recourse for deviations from procedures, and procedures can be changed at the discretion of the program manager and Director without Board or legislative oversight.

Not Adopting Formal Regulations Bypasses Legislative Review

Executive Branch agencies who do not adopt formal regulations in accordance with the APA bypass statutorily required legislative review, which reduces transparency, accountability, and public access to the process. The Constitution of the State of Nevada grants the Legislature power to review proposed Executive Branch agency regulations for consistency with statutory authority and legislative intent. Likewise, the Legislature has the authority to authorize, suspend, or nullify regulations based on its review. In exercising its constitutional authority, the Legislature created the APA to establish minimum procedural requirements for regulation and adjudication procedures for most Executive Branch agencies.

Adopting Formal Regulations Increases Oversight, Promotes Transparency, and Helps Ensure Consistency

Adopting formal regulations through the public rulemaking process increases oversight, promotes transparency, and helps ensure contracting activities and other key processes are consistent with statutory authority and legislative intent. The Legislature memorialized the intent of NRS 408 is to declare the powers and duties of the Board, leaving specific details to be determined by regulations and declarations of policy that the Board *may* promulgate and the Director is *required* to adopt.²⁶ The Legislature additionally recognized that a safe and efficient highway transportation system is a matter of important interest to all people of the state and is essential to the general welfare of the state. This focus on the welfare of the state increases the need for NDOT to adopt formal regulations for contracting activities and other key processes affecting procedures available to the

²⁴ “Pioneer Program Guidelines” (June 2020), Nevada Department of Transportation, Third Edition.

²⁵ Ibid.

²⁶ NRS 408.100(6)(a); NRS 408.215(4).

public. The administrative rulemaking process affords participation by members of the public, using the following required procedures:

1. Draft language for proposed regulation and submit to the Board for approval.
2. Consider the impact the regulation may have on small businesses and prepare a small business impact statement.
3. Conduct at least one public workshop to discuss the general topics addressed in the regulation. Public workshops must follow the requirements of the Open Meeting Law and a copy of meeting materials must be submitted to the LCB for public posting.
4. For permanent regulations, NDOT must additionally send draft regulation language to Legislative Counsel to ensure intent and clear, concise language before returning the draft language to the agency.
5. Provide notice, solicit public comment, allow the public a 30-day comment period, and hold a hearing for public comment following all requirements set forth by the APA and Open Meeting Law.
6. Evaluate and consider all written and oral public comment on the proposed regulation that was received within statutory timeframes, discuss the comments with the Board, and amend draft regulations resulting from public comment if necessary. Hold a second public hearing for amended draft regulations prior to adoption.
7. Submit an original final copy of the regulation and an informational statement describing the regulation to the Legislative Counsel for review by the Legislative Commission to ensure conformance with legislative authority and intent.²⁷

Properly Adopted Regulations Have Full Force and Effect of Law

Properly adopted regulations establish a standard of conduct that has the full force and effect of law. NDOT and the Board must adopt formal regulations in accordance with the APA to increase Board and legislative oversight and transparency, ensure public access to the rulemaking process, and ensure fair notice to the public for participation in rulemaking procedures. According to guidance issued by the Nevada Office of the Attorney General, "...setting a standard or definition without following the rulemaking process is considered ad hoc rulemaking...[A]ny standard or policy that affects the general public, such as requiring or prohibiting conduct, must be made by the formal procedure for promulgating regulations."²⁸

²⁷ In the case of a temporary regulation, file a copy of the regulation as adopted and the informational statement with the Secretary of State, the Legislative Counsel, and the State Library and Archives. In the case of an emergency regulation, file a copy of the regulation with the Secretary of State and the Legislative Counsel.

²⁸ "Administrative Rulemaking, A Procedural Guide" (2023), Nevada Office of the Attorney General, Tenth Edition.

NDOT and the Board have the responsibility to adopt formal regulations under the APA. Allowing public participation in the rulemaking process will allow the Board and the Legislature to consider public commentary in making determinations and approvals on what thresholds are appropriate for the Director's delegated signature authority, as well as other key processes affecting procedures available to the public. Public participation will also ensure processes are standardized and not subject to revision at any time without adequate oversight from the Board and the Legislature.

Conclusion

The NDOT Board of Directors (Board) has been provided with broad authority under its authorizing statute, NRS 408. The Board has delegated much of this broad authority to the NDOT Director through Board-adopted resolutions, including delegated signature authority for agreements and construction contracts. Other states do not grant agency heads broad signature authority without regulatory oversight. The Board has adjusted approval thresholds for the Director's delegated signature authority several times since 1990, with the most recent revision taking place at the June 9, 2025 Board meeting.

The Board is the sole oversight body for most NDOT activities and is exempt from the jurisdiction of other state oversight bodies for most contracting and construction related activities. Board and regulatory oversight of contracting activities and other key processes is crucial to ensure transparency and accountability. Agency activities and processes affecting private rights must be adopted as formal regulations or rules of practice pursuant to the Nevada Administrative Procedures Act (APA), which NDOT has not done for some contracting activities and key processes. Increasing oversight will: ensure NDOT complies with the APA; increase Board of Directors' (Board) and legislative oversight and transparency; ensure public access to the rulemaking process; and ensure fair notice to the public for participation in the rulemaking process.

Recommendation

1. Increase oversight of contracting activities and other key processes.

Improve Personnel and Payroll Practices

The Nevada Department of Transportation (NDOT) should improve personnel and payroll practices by:

- Updating internal pay policies and procedures to ensure pay parameters are clearly defined in department policy, improve timekeeping practices, and strengthen supervisory and payroll administrator oversight;
- Creating new internal pay policies and procedures to define and enforce shift scheduling protocols; and
- Periodically monitoring improvements to ensure successful implementation.

Improving personnel and payroll practices will help: eliminate confusion about pay parameters; ensure timesheets are accurate and coded correctly; ensure overtime is preauthorized; improve supervisory and payroll administrator oversight; reduce overtime; and discourage overtime abuse. These improvements could benefit the state by up to \$950,000 annually.²⁹

Reduced Oversight of NDOT Personnel and Payroll Practices Increased Costs to the State

Reduced oversight of NDOT personnel and payroll practices increases costs to the state by an estimated \$950,000 annually. The Division of Internal Audits (DIA) reviewed NDOT personnel and payroll practices to identify areas needing improvement, which included a detailed review of payroll registers and accounting records. The review included time and pay data for one pay period from each of fiscal years 2023 and 2024 consisting of a total of 3,078 timesheets, of which 1,123 included some type of overtime. For purposes of pay calculations, overtime includes both paid overtime and accrued compensatory time (comp time).³⁰ All timesheets with overtime were further reviewed in detail, including timesheet notes, attachments, approvals, and other testing metrics. Testing revealed multiple issues related to policy violations, timekeeping, overtime approvals, and excessive overtime.

Almost 50% of Fiscal Year 2023 Overtime Timesheets Had Issues

Approximately 45.6% of fiscal year 2023 and 22.3% of fiscal year 2024 overtime timesheets tested had issues. Likewise, 9.6% of fiscal year 2023 and 6.3% of fiscal year 2024 overtime timesheets tested had more than one exception. Exhibit V

²⁹ Estimated average annual savings to the state = average estimated dollars saved between the two pay periods tested * 26 pay periods in a fiscal year. Calculation: $(\$73,093.21 / 2) * 26 = \$950,211.86$.

³⁰ NAC 284.250 provides that the method of compensating an employee for overtime is cash payment or comp time in lieu of cash payment. Comp time allows an employee to accrue paid leave at the same rate as paid overtime, which is a rate of time and one-half of the employee's normal rate of pay. The accrued comp time is added to the employee's unused leave balances and taken as paid leave at a later date.

shows overall payroll testing results for the two pay periods in fiscal years 2023 and 2024 included in testing.

Exhibit V

Payroll Testing Results Fiscal Years 2023 and 2024

Timesheet Data	FY23/PP15 ^c	FY24/PP06	Totals
# of timesheets in pay period	1,537	1,541	3,078
Timesheets with OT ^a	586	537	1,123
% of OT timesheets in pay period	38.1%	34.8%	36.5%
# of OT timesheets with exceptions	267	120	387
% of timesheets with OT ^a	45.6%	22.3%	34.5%
# of timesheets with >1 exception	56	34	90
% of timesheets with OT ^a	9.6%	6.3%	8.0%
Total hours tested in detail ^b	64,063	50,884	114,947
Hours associated with exceptions	1,074	586	1,660
% of total hours tested in detail ^b	1.7%	1.2%	1.4%
Total dollars tested in detail ^b	\$ 1,811,326	\$ 1,577,607	\$ 3,388,933
Dollars associated with exceptions	\$ 42,063	\$ 31,030	\$ 73,093
% of total dollars tested in detail ^b	2.3%	2.0%	2.2%

Source: DIA analysis of state payroll and accounting records.

Notes: ^a Overtime includes paid overtime (OT) and accrued comp time.

^b Timesheets tested in detail include all timesheets with overtime. Values for timesheets tested in detail include all hours and associated dollars, including paid and accrued regular, overtime, and special timesheet events.

^c Fiscal year 2023, pay period 15 included two holidays and a major snow storm, which account for some of the overtime hours incurred during the pay period for holiday and emergency coverage.

Some NDOT Employees Are Covered Under a Union-Negotiated CBA

Some NDOT employees are covered under a union-negotiated state CBA, which includes different pay parameters than NDOT internal pay policies.^{31,32} NDOT's internal pay policies are outdated and do not include the recently created CBA pay parameters, with the most recent guidance issued in 2011. Outdated internal pay policies result in unclear pay parameters between CBA-covered and non-covered employees and could contribute to overtime abuse.

³¹ NDOT covered employees are represented by the American Federation of State, County, & Municipal Employees (AFSCME) union, Local 4041. The CBAs in force during report writing were effective between July 1, 2021 through June 30, 2025.

³² For purposes of this discussion, pay policies include NDOT policies and policy memos.

Employees Earned Overtime on Same Day or in Same Week as Paid Leave

NDOT employees earned overtime on the same day or in the same week as paid leave in 21.0% of fiscal year 2023 and 17.5% of fiscal year 2024 overtime timesheets tested. Allowing NDOT employees to earn overtime on the same day or in the same week as paid leave costs the state an estimated \$861,000 annually.³³ NDOT internal pay policies define overtime in terms of “hours worked” and “time worked,” which was the basis DIA used for determining whether employee overtime met policy criteria. However, the introduction of expanded CBA pay parameters in fiscal year 2021 resulted in different treatment for combined paid leave and overtime.

The CBA considers “hours worked” to include all hours in any paid status when calculating overtime, overriding NDOT’s internal pay policy. Combined paid leave and overtime policy violations in fiscal years 2023 and 2024 testing relates to only non-covered employees who are not eligible for CBA pay treatment. Exhibit VI shows combined paid leave and overtime testing results for the two pay periods tested in fiscal years 2023 and 2024.

Exhibit VI

Combined Paid Leave and Overtime Fiscal Years 2023 and 2024

Pay Period / Exceptions	# of Exceptions	% of Timesheets with OT	Associated Hours	Associated Estimated \$ ^a
Fiscal Year 2023, PP15	123	21.0%	843	\$ 39,131
OT/Leave Same Week	102	17.4%	759	35,643
OT/Leave Same Day	21	3.6%	84	3,488
Fiscal Year 2024, PP06	94	17.5%	486	\$ 27,090
OT/Leave Same Week	82	15.3%	454	25,351
OT/Leave Same Day	12	2.2%	32	1,739
Both Pay Periods	217	19.3%	1,329	\$ 66,221
OT/Leave Same Week	184	16.4%	1,213	60,994
OT/Leave Same Day	33	2.9%	116	5,227

Source: DIA analysis of state payroll and accounting records.

Notes: ^a “Associated Estimated \$” includes the value of paid overtime (OT) and accrued comp time and does not include adjustments to hourly pay rates for employer-paid retirement contributions.

Almost 60% of Overtime Was Attributed to 26% of Employees with Overtime

Testing revealed 58.3% of overtime incurred in pay period 15 of fiscal year 2023 was attributed to 150 of 586 (25.6%) of the employees who worked overtime in the pay period. Five of 586 (0.9%) employees worked 100 or more hours overtime in the pay period, with 78 (13.3%) working between 60-99 hours overtime in the same

³³ Estimated average annual savings to the state = average estimated dollars saved between the two pay periods tested * 26 pay periods in a fiscal year. Calculation: (\$66,220.80 / 2) * 26 = \$860,870.40.

period. Overtime hours at these levels could lead to employee fatigue, affect productivity, and may be an indicator of overtime abuse.

Testing showed 16 of the 150 (10.7%) employee timesheets with greater than 40 hours overtime had associated late, missing, or incorrect overtime approvals. For timesheets with missing or incorrect approvals, it is unclear whether the overtime was authorized prior to being worked, which is required by regulation and NDOT internal pay policies.³⁴ Exhibit VII shows timesheet data for employees with more than 40 hours overtime in the period reviewed.

Exhibit VII

Employees with More than 40 Hours Overtime Fiscal Year 2023, Pay Period 15

Overtime Categories	>40 Hours OT		Approval Issues	
	Timesheets	% ^a	Timesheets	% ^b
Timesheets with > 40 < 60 hours OT	67	11.4%	9	6.0%
Timesheets with 60 < 100 hours OT	78	13.3%	7	4.7%
Timesheets with 100+ hours OT	5	0.9%	0	0.0%
Total Timesheets with > 40 Hours OT	150	25.6%	16	10.7%

Source: DIA analysis of state payroll and accounting records.

Notes: ^a Represents percentage of all timesheets with overtime (OT), or 586 timesheets (see Exhibit V).

^b Represents percentage of timesheets with more than 40 hours overtime.

Timesheet Errors Could Cost the State Almost \$90,000 Annually

Review of employee timesheets revealed multiple timesheet errors that could cost the state almost \$90,000 annually.³⁵ Timesheet errors included employees recording callback pay while in standby status, missing overtime reason codes, and miscellaneous timesheet errors related to accuracy.³⁶ Exhibit VIII shows timesheet errors noted during testing of employee time and pay for one pay period in each of fiscal years 2023 and 2024.

³⁴ NAC 284.242; NDOT Policy Memo 11-03.

³⁵ Estimated average annual savings to the state = average estimated dollars saved between the two pay periods tested * 26 pay periods in a fiscal year. Calculation: (\$6,872.41 / 2) * 26 = \$89,341.46.

³⁶ Callback pay is paid at the standard overtime rate for employees who are called back to work during scheduled time off without having been notified before the completion of the normal working day. Employees who are called back to work receive a minimum of two hours paid overtime regardless if time worked is less than two hours. NAC 284.214(2)(a) prohibits callback pay for employees already in standby status. Hours and dollars reflect a reduction of standby pay for the callbacks recorded while in standby status because it is unclear whether employees actually worked the full two hours or took the callback then worked overtime after being activated from standby status.

Exhibit VIII

Timesheet Errors Fiscal Years 2023 and 2024

Pay Period / Exceptions	# of Exceptions	% of Timesheets with OT	Associated Hours	Associated Estimated \$ ^a
Fiscal Year 2023, PP15	32	5.5%	230	\$ 2,932
Callback while on standby	5	0.9%	10	16
Missing OT reason code	1	0.2%	10	334
Misc. timesheet errors	26	4.4%	210	2,582
Fiscal Year 2024, PP06	7	1.3%	101	\$ 3,940
Callback while on standby	2	0.4%	6	6
Missing OT reason code	0	0.0%	0	0
Misc. timesheet errors	5	0.9%	95	3,934
Both Pay Periods	39	3.5%	331	\$ 6,872
Callback while on standby	7	0.6%	16	22
Missing OT reason code	1	0.1%	10	334
Misc. timesheet errors	31	2.8%	305	6,516

Source: DIA analysis of state payroll and accounting records.

Notes: ^a "Associated Estimated \$" includes the value of paid overtime (OT) and accrued comp and does not include adjustments to hourly pay rates for employer-paid retirement contributions.

An Employee Recorded 72 Consecutive Hours of Overtime

An example of a timekeeping issue discovered during testing was an employee who had recorded 72 consecutive hours of overtime, in addition to 72 hours of paid standby for the same days. Detailed review of the affected pay period in fiscal year 2024 revealed only two hours of the 72 hours paid overtime and 70 hours of paid standby were accurate, with an estimated overpayment to the employee of almost \$3,800 in one pay period. Timesheet notes indicated the employee was on paid standby status on their regular days off, was called in to work for a two-hour emergency, and recorded time inaccurately. The timesheet was approved as submitted without correction to the overpaid hours. The employee retired a few months later, the time has not been corrected in payroll records, and the overpaid funds do not appear to have been recovered.

Timesheet Coding Practices Contributed to Timekeeping Issues

Timesheet coding practices contributed to timekeeping issues, including uncoded overtime, uncoded paid administrative leave, and a significant amount of overtime coded to one reason code. Timesheet coding issues make it difficult to determine the true purpose of the time without detailed review of timesheet supporting documentation. This difficulty is compounded in cases where supporting documentation is insufficient, incorrect, or missing. See Appendix F for detail of overtime by reason code for fiscal years 2023 and 2024.

Some Overtime Was Recorded Using Reason Codes Not Applicable to Employees

Some overtime was recorded using reason codes that were not applicable to employees. Employees recorded time in fiscal years 2023 and 2024 to overtime reason codes 33 (COVID-19) and 34 (Muster). However, the State of Emergency Proclamation for the COVID-19 pandemic ended May 20, 2022, before the beginning of fiscal year 2023. Coding time to COVID-19 was no longer permitted after that time. Additionally, only State of Nevada correctional officers and other law enforcement personnel covered under the CBA negotiated by the Fraternal Order of Police union are eligible for muster pay overtime. No overtime should have been coded to these reason codes, making the purpose of the time unclear as reported in state payroll reports.

More Than 21,000 Hours of Overtime Have Missing or Unknown Reason Codes

More than 21,000 hours of overtime in fiscal years 2023 and 2024 were missing an overtime reason code or were associated with unknown reason codes. To determine the actual reasons for the overtime would require review of individual timesheet notes in each timesheet for each day the overtime was recorded, instead of being able to rely on timesheet summary reports. Timesheet notes are not accessible in state official payroll summary reports, which contributes to inaccurate time and pay data when overtime is uncoded or miscoded.

Significant Amount of Overtime Coded to “Workload”

A significant amount of overtime in fiscal years 2023 and 2024 was coded to one overtime reason code, with 37.9% coded to reason code 30 (Workload). Potentially, not all overtime coded to “Workload” is related to actual workload for every position using the reason code but rather may be related to other state or agency-defined overtime reason codes. Overtime activities and underlying causes may be obscured by assigning a significant number of hours to one or a few overtime reason codes, which increases the difficulty inherent in determining scheduling or positions needed to adequately address coverage and workforce needs.

Coding Issues Affected Paid Administrative Leave

Coding issues in employee timesheets affected paid administrative leave in fiscal years 2023 and 2024. A few non-covered employees recorded and received paid administrative leave for union and personal leave afforded only to employees covered under CBAs. Hours recorded by these employees in fiscal years 2023 and 2024 appear to be unintentionally coded to union and personal leave.

Additionally, 85.8% of all employees in fiscal year 2023 and 82.5% in fiscal year 2024 recorded time to paid administrative leave without a reason code, which is normal practice for most instances of this type of leave. However, beginning in fiscal year 2024, CBA-covered employees were required to begin coding CBA union leave and CBA personal leave to reason codes U1 and U2, respectively. When covered employees record uncoded paid administrative leave, it makes it difficult to determine whether the leave is related to CBA-allowed leave or some other type of approved leave. Many covered employees appear to have taken full-day and/or multiple day increments for the uncoded leave, suggesting they are not coding CBA-allowed leave as required.

These coding issues make it difficult to determine the true purpose of the leave and could result in covered employees taking more paid administrative leave than allowed by the CBA, or non-covered employees taking leave they are not entitled to. Exhibit IX shows paid administrative leave coding issues in fiscal years 2023 and 2024.

Exhibit IX

Paid Administrative Leave Coding Issues Fiscal Years 2023 and 2024

Fiscal Year 2023 ^a	# Empl	% Empl	Hours	% Hrs	Dollars	% Dollars
Non-covered, CBA coding issues ^d	5	0.6%	47	0.4%	1,752	0.5%
Covered, CBA coding issues	124	15.4%	2,423	23.0%	65,298	17.5%
Uncoded paid admin leave	689	85.8%	8,019	76.3%	305,893	81.8%
Other paid admin leave ^b	1	0.1%	30	0.3%	683	0.2%
Paid admin leave, all employees ^c	803	100.0%	10,519	100.0%	373,626	100.0%
Fiscal Year 2024	# Empl	% Empl	Hours	% Hrs	Dollars	% Dollars
Non-covered, CBA coding issues ^d	9	0.9%	57	0.2%	2,039	0.3%
Covered, <u>no</u> CBA coding issues ^e	227	23.3%	5,535	22.8%	149,633	20.8%
Uncoded paid admin leave	803	82.5%	18,613	76.8%	565,912	78.7%
Other paid admin leave ^b	3	0.3%	44	0.2%	1,104	0.2%
Paid admin leave, all employees ^c	973	100.0%	24,249	100.0%	718,688	100.0%

Source: DIA analysis of state payroll and accounting records.

Notes: ^a For fiscal year 2023, DIA identified CBA-covered and non-covered positions for the CBA effective July 1, 2021 for comparison only with fiscal years 2023 and 2024 CBA leave testing results.

^b "Other paid admin leave" is veterans paid administrative leave.

^c Some employees coded time in multiple categories and not all employees have coding issues. Therefore, "# Empl" will not sum to "Paid admin leave, all employees."

^d Non-covered, CBA coding issues are instances where non-covered employees have coded paid administrative leave to CBA union or personal leave.

^e DIA reviewed covered employee time in fiscal year 2024 for reasonableness, noting no issues for time recorded against CBA union or personal leave.

Insufficient Oversight Contributed to Timekeeping Issues

Insufficient supervisory and payroll administrator oversight contributed to timekeeping issues in the two pay periods reviewed for fiscal years 2023 and 2024. Testing revealed 18.7% of all timesheets with overtime in the fiscal year 2023 pay period tested and 10.7% of those tested for fiscal year 2024 had late, missing, or open-ended approvals or had incomplete or incorrect timesheet support.³⁷ For example, some timesheets included attachments for overtime preauthorization that were related to other pay periods and not the pay period being processed. Additionally, insufficient supervisory and payroll administrator oversight allowed timesheet errors and timesheet coding issues to go unnoticed and unaddressed.

Improved Oversight Needed for Personnel and Payroll Practices

Oversight over NDOT personnel and payroll practices could be improved by updating NDOT internal pay policies and creating new policies and procedures to address combined paid leave and overtime. Updates to existing internal pay policies and implementation of new policies will require NDOT to train supervisors, managers, payroll administrators, and employees on the changes. These improvements should be periodically monitored to ensure successful implementation.

Prior to implementation, any proposed changes made to shift scheduling protocols should be reviewed by the appropriate legal representative from the Office of the Attorney General to avoid conflicting with CBA terms and conditions.

NDOT internal pay policies and procedures can be improved to:

- Ensure pay parameters are clearly defined in department policy, including differences for employees covered under a CBA and non-covered employees;
- Implement additional agency-level overtime reason codes or require the use of existing overtime reason codes to better account for employee activities; and
- Strengthen procedures for supervisor and payroll administrator oversight, which will require ensuring timesheets comply with department and state requirements for documentation, approvals, and reason codes.

Combined Paid Leave and Overtime Issues Could Be Addressed through New Policies

Combined paid leave and overtime issues could be addressed through new NDOT internal pay policies by defining and enforcing shift scheduling protocols such as:

³⁷ Open-ended approvals are those that provide blanket approval for overtime and do not require the employee to obtain preauthorization for each overtime event.

- Prohibiting voluntary overtime following paid leave on the same day or in the same week;
- For employees who work voluntary overtime then take paid leave on the same day or in the same week following the overtime, those employees would be removed from scheduled voluntary overtime rosters for the following week;
- Ensuring variable workday schedule agreements are strictly followed, with no overtime incurred until 40 hours are actually worked in a work week; and
- Restricting standby status to only those employees who are not on paid leave within the work week.

Defining and enforcing shift scheduling protocols could help reduce overtime for employees with the greatest overtime hours and discourage overtime abuse.

Conclusion

Testing of NDOT fiscal year 2023 and 2024 timesheets with overtime revealed issues related to policy violations, timekeeping, overtime approvals, and excessive overtime. Employees earned overtime on the same day or in the same week as paid leave and 26% of employees with overtime were responsible for almost 60% of overtime incurred for fiscal year 2023 timesheets tested with overtime. Employees additionally recorded callback pay while in standby status and submitted timesheets with coding issues, errors, and issues with overtime approvals. Improving personnel and payroll practices will help: eliminate confusion about pay parameters; ensure timesheets are accurate and coded correctly; ensure overtime is preauthorized; improve supervisory and payroll administrator oversight; reduce overtime; and discourage overtime abuse. These improvements could benefit the state by up to \$950,000 annually.

Recommendation

2. Improve personnel and payroll practices.

Enhance Policies and Procedures for the Flight Operations Program

The Nevada Department of Transportation (NDOT) should enhance policies and procedures for the Flight Operations program to ensure aircraft are engaged only for allowable State Highway Fund (Highway Fund) activities, passenger travel is for bona fide official state business only, and the program continues to comply with Federal Aviation Administration (FAA) regulations.

Existing Policies and Procedures Are Inadequate

Existing NDOT policies and procedures for the Flight Operations program are inadequate and do not prohibit NDOT aircraft from being engaged for any reason other than for Highway Fund activities defined in statute. Policies allow for charging passengers and other state agencies for flight services, which the FAA considers a form of compensation and is disallowed for the type of flight operations in place at NDOT. Additionally, NDOT does not require documentation of flight and passenger trip purpose in flight manifests, which would help ensure passengers are traveling for official state business only and FAA rules for aerial surveying are enforced.

Flight Operations Program Is Funded by the Highway Fund

The Flight Operations program is funded by the Highway Fund, which was created in 1957 and is funded by excise taxes and license and registration fees. The money in the Highway Fund must, except for administering the collection of the taxes and fees, be used exclusively for the administration, construction, reconstruction, improvement, and maintenance of highways as provided by NDOT's authorizing statute, NRS 408.³⁸ The purpose of the NDOT Flight Operations program is to provide safe, efficient air transportation for department employees and other state employees using department aircraft.

State Aircraft Purchased Using Highway Funds

The 2019 Legislature approved the purchase of two new aircraft using Highway Funds for the replacement of two state-owned and NDOT-operated aircraft, both more than 30 years old. One of the new aircraft was purchased exclusively for passenger flights, while the other was purchased for passenger flights and aerial surveys.³⁹ Testimony provided at legislative hearings stated NDOT anticipates a 20-year return on investment of 13-18%, and the aircraft will allow NDOT to deliver its transportation system and work more efficiently. Analysis of historical purchase

³⁸ NRS 408.235(2).

³⁹ The passenger aircraft is a Pilatus PC-24 (10 passenger seats) and the passenger/aerial surveying aircraft is a Beechcraft King Air 350. The Beechcraft aircraft is customizable depending on flight purpose, with up to 11 passenger seats.

records show the aircraft were purchased at below average base model market rates for both aircraft at the time of purchase.

State Aircraft Costs Subject to Highway Fund Restrictions

The costs associated with the purchase, operation, maintenance, and support for the NDOT state aircraft are entirely funded by the Highway Fund and aircraft use is subject to Highway Fund restrictions. Current NDOT practice allows other state agencies to fill excess capacity seating on scheduled aircraft flights when already engaged for highway-related purposes, if minimal or no additional costs are incurred. However, NDOT policies do not reflect actual practice.

NDOT Flights Primarily Carry NDOT Personnel

NDOT flights primarily carry NDOT personnel. Testing of all flight manifests for fiscal years 2023 and 2024 show all round trip flights provided service to NDOT personnel, contractors, and/or consultants, including those flights providing service to non-NDOT passengers. Review of flight manifests revealed almost 80% of all filled seats were used by NDOT personnel and business associates. Exhibit X shows NDOT aircraft passenger statistics for fiscal years 2023 and 2024.

Exhibit X

NDOT Aircraft Passenger Statistics Fiscal Years 2023 and 2024

Both Fiscal Years	Beechcraft^a	Pilatus	Totals
NDOT Employees	862	1,986	2,848
Non-NDOT Passengers	221	567	788
Totals	1,083	2,553	3,636
<i>% of Total, all Seats</i>	<i>29.8%</i>	<i>70.2%</i>	<i>100.0%</i>
<i>% of Total, NDOT Employees</i>	<i>23.7%</i>	<i>54.6%</i>	<i>78.3%</i>
<i>% of Total, Non-NDOT</i>	<i>6.1%</i>	<i>15.6%</i>	<i>21.7%</i>

Source: Compiled from fiscal year 2023 and 2024 flight manifests provided by NDOT.

Note: ^a The Beechcraft King Air 350 is equipped for both passenger travel and aerial surveying.

Review of flight manifests indicate both aircraft appear to have been engaged for Highway Fund purposes, with non-NDOT passengers using excess capacity seating. However, testing also revealed flight manifests could be more detailed.

Flight Manifests Do Not Document Flight and Passenger Trip Purpose

NDOT aircraft flight manifests do not document flight and passenger trip purpose, making it difficult to determine whether passengers were traveling for official state business only and not for personal travel. Additionally, when the aircraft capable of aerial surveying is engaged for that purpose, it must be used exclusively for that

purpose and personnel on board are strictly limited to those necessary to accomplish the mission.

Documentation of trip purpose for both the engaged aircraft and each passenger is necessary to support whether travel purpose is Highway Fund related, for aerial surveying, and/or for bona fide official state business. Without this information, NDOT cannot affirm the use of its aircraft meets Highway Fund statutory constraints and FAA regulations governing aircraft operations. Moreover, failure to ensure trips are not personal in nature could create reportable, taxable events for passengers not traveling for bona fide official state business.⁴⁰

NDOT Flight Operations Subject to FAA Regulation

The NDOT Flight Operations program is subject to FAA regulations for operator, aircraft, and flight activities. NDOT is registered with the FAA as a civil air operator under the requirements of 14 CFR Part 91. As a civil air operator, NDOT must strictly follow Part 91 regulatory requirements to ensure it does not engage in activities inconsistent with its registered civil air operator status.

NDOT Cannot Be Reimbursed for Flight Services

NDOT cannot be reimbursed for flight services, which the FAA considers a form of compensation and is not allowed for the type of flight operations in place at NDOT.⁴¹ The FAA's position on what is considered compensation is extensive:

- "Compensation does not require a profit, profit motive, or the actual payment of funds. Reimbursement of expenses, accumulation of flight time, and good will in the form of expected economic benefits can be considered compensation...compensation occurs even if a third party receives a benefit as a result of the flight."⁴²
- "...'[C]ompensation' includes the act of making up for whatever has been suffered or lost through another, and the act of remuneration. Sharing expenses would appear to be prohibited when 'for hire or compensation' is prohibited..."⁴³

Requiring non-NDOT state agencies to reimburse or share costs for Flight Operations program expenditures would require NDOT to obtain a commercial air

⁴⁰ Fringe Benefit Guide, IRS Publication 5137 (Rev. 10-2022). Department of the Treasury, Internal Revenue Service, Office of Federal, State & Local Governments.

⁴¹ 14 CFR 91.147 requires passenger carrying flights for compensation or hire to be registered under Part 119 governing air carriers, with flights conducted under the regulatory provisions of Parts 135 or 121.

⁴² Sharing Aircraft Operating Expenses in Accordance with 14 CFR § 61.113(c), Advisory Circular AC-61-142. February 25, 2020. Federal Aviation Administration.

⁴³ Legal Interpretation from Mark Bury to Rebecca B. MacPherson (August 13, 2014). Federal Aviation Administration, referred to in FAA Advisory Circular AC-61-142.

carrier certification. A commercial air carrier certification would require operating under much more stringent aircraft and airspace regulations than those required by NDOT's existing Part 91 civil airworthiness certificate. As appropriate, NDOT has not requested other state agencies to reimburse or share costs for accessing excess capacity seating on flights. This was confirmed through review of accounting records for fiscal years 2023, 2024, and 2025 year-to-date.⁴⁴ NDOT should continue this practice going forward.

Flight Operations Program Could Be Improved

The NDOT Flight Operations program could be improved by enhancing policies and procedures that:

- Prohibit NDOT aircraft from being engaged for any reason other than for Highway Fund activities defined in statute;
- Ensure non-NDOT passengers only fly when using excess capacity seating during NDOT scheduled flights;
- Ensure flight manifests document flight and passenger trip purpose for all flights and passengers; and
- Ensure NDOT does not request or receive compensation of any kind from non-NDOT entities or attempt to cost-share for the Flight Operations program.

Conclusion

Existing NDOT policies and procedures for the Flight Operations program are inadequate and do not prohibit aircraft from being engaged for any reason other than for Highway Fund activities defined in statute. Policies allow for charging passengers and other state agencies for flight services, which is prohibited by the Federal Aviation Administration (FAA) and disallowed for NDOT flight operations. Additionally, flight manifests do not document flight and passenger trip purpose, which would help ensure passengers are traveling for official state business only and FAA rules for aerial surveying are enforced. Enhancing policies and procedures for the Flight Operations program by requiring aircraft activities to comply with Highway Fund and FAA rules will help ensure aircraft are engaged only for allowable Highway Fund activities, passenger travel is for bona fide official state business only, and the program continues to comply with FAA regulations.

Recommendation

3. Enhance policies and procedures for the Flight Operations program.

⁴⁴ Fiscal year 2025 year-to-date revenues and receipts through June 18, 2025.

Appendix A

Scope and Methodology, Background, Acknowledgments

Scope and Methodology

We began the audit in May 2024. In the course of our work, the Division of Internal Audits (DIA) interviewed members of management from the Nevada Department of Transportation (NDOT) and the Governor's Office of Finance, Budget Division to discuss policies, procedures, and internal controls inherent to NDOT's operational and fiscal processes. We reviewed NDOT records, policies, and procedures, and researched legislative history, applicable Nevada Revised Statutes, Nevada Administrative Code, employee records and timesheets, Nevada State Administrative Manual, union-negotiated state collective bargaining agreements, and other state and federal guidelines. We concluded fieldwork in June 2025.

We conducted our audit in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

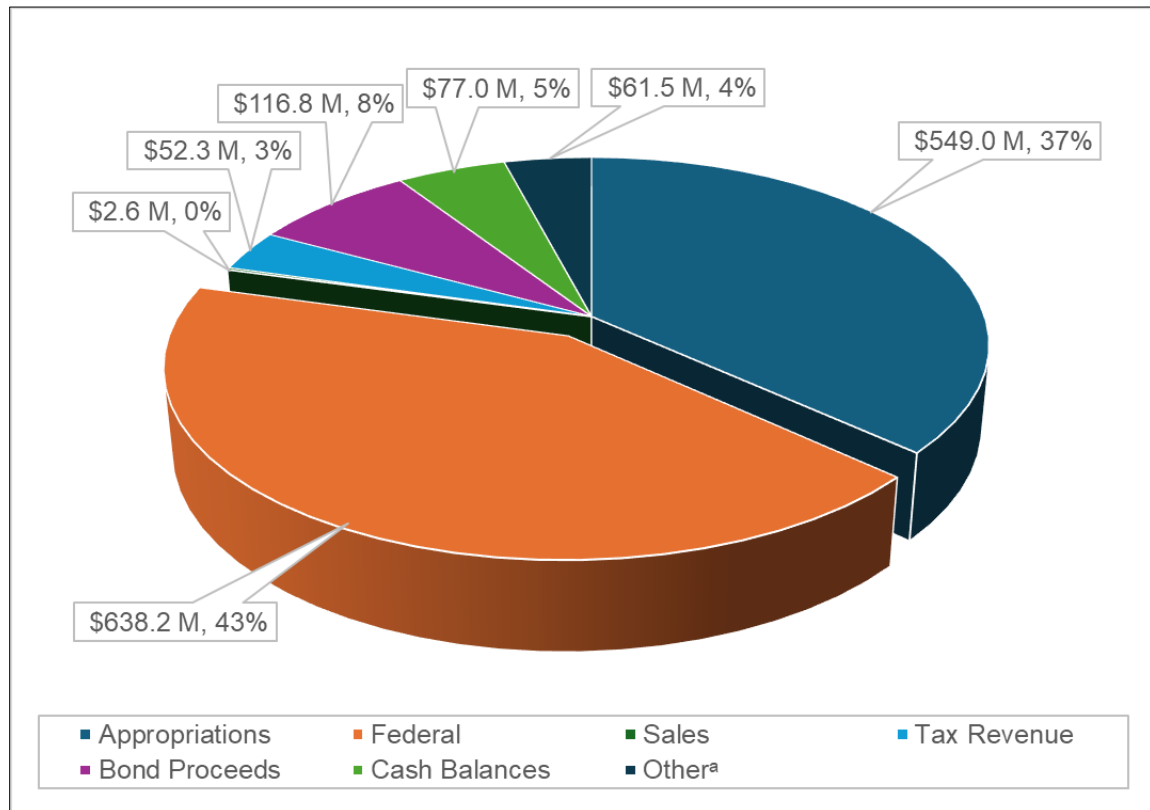
Background

The mission of the Nevada Department of Transportation (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's core values include respect, integrity, accountability, communication, teamwork, and flexibility. NDOT's goals include: safety first; cultivate environmental stewardship; efficiently operate and maintain the transportation system in Nevada; promote internal and external customer service; and enhance organizational and workforce development.

NDOT is funded primarily by the State Highway Fund and federal funds, as well as tax revenue, bond proceeds, sales, miscellaneous revenues, transfers from other state agencies, and other fees and assessments. NDOT's revenues, receipts, and cash balances for fiscal years 2023 and 2024 were \$1.1 billion and \$1.5 billion, respectively. Exhibit XI summarizes NDOT's budget by funding source for the most recently closed fiscal year, 2024.

Exhibit XI

NDOT Budget by Funding Source Fiscal Year 2024



Source: Data Warehouse of Nevada.

Note: ^a Other includes radio income, other fees and assessments, transfers from other state agencies, and miscellaneous revenue.

Acknowledgments

We express appreciation to the Nevada Department of Transportation and the Governor's Finance Office, Budget Division for their cooperation and assistance throughout the audit.

Contributors to this report included:

Craig Stevenson
Administrator

Heather Domenici, MAcc, CPA
Executive Branch Audit Manager

Melissa Gardner, MBA
Executive Branch Auditor

Appendix B

Nevada Department of Transportation Response and Implementation Plan

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STATE OF NEVADA
DEPARTMENT OF TRANSPORTATION
1263 S. Stewart Street
Carson City, Nevada 89712

JOE LOMBARDO
Governor

TRACY LARKIN THOMASON, P.E.
Director

July 16, 2025

Craig Stevenson
Administrator, Division of Internal Audits
Governor's Finance Office, Nevada
c.stevenson@finance.nv.gov

Re: NDOT Response to Audit Recommendations

Dear Administrator Stevenson,

The Nevada Department of Transportation (NDOT) would like to thank you and your team for the thorough, courteous, and professional manner in which the audit was conducted and thank you for your recommendations to help the department improve our processes and procedures. We were happy to hear that your main concern was tightening up our procedures and that you were generally pleased with our operations. The department is committed to implementing these recommendations as noted below.

Recommendation 1: Increase oversight of contracting activities and other key processes

NDOT will work with LCB legal to adopt formal regulations through the public rulemaking process pertaining to the State of Nevada Transportation Board of Directors (Transportation Board) delegated signature authority to the Director and key contracting processes in the time frame noted below. NDOT has been and will continue to submit rules of practice to the Secretary of State and review NACs in accordance with NRS.

Recommendation	Time Frame
Adopt formal regulations pertaining to signature authority and key contracting processes	2 years

Please note that construction contracts that are 20% or more greater than the engineer's estimate - *(when engineer's estimate is over \$5 million) and contracts and agreements that involve unusual or potentially controversial topics are presented to the Transportation Board for approval regardless of dollar amount.

It is also important to note that while Transportation Board approval of some contracts or agreements were not required due to the delegated signature authority, projects are vetted and open to public and Transportation Board review and comments prior to the advertisement to bid (with the exception of bona fide emergency projects).

Transportation projects are prioritized in accordance with the One Nevada Transportation Plan and included in the Statewide Transportation Improvement Program (STIP) or Annual Work Program. Federally funded and regionally significant projects across the state are included in the STIP, which is a

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fiscally constrained four-year plan which includes funding levels by year for project obligation. The STIP approval process includes a public notice and public comment period. Following the public comment period, the draft STIP is provided to the Transportation Board for acceptance and then forwarded to the Federal Highway Administration (FHWA) and the Federal Transit Administration (FTA) in consultation with the US Environmental Protection Agency (EPA) for final approval. The STIP is prepared in cooperation with the state's four Metropolitan Planning Organizations (MPO) and includes the projects identified in their respective Transportation Improvement Programs (TIP). The MPO TIPs are approved by their respective boards after a public comment period and incorporated without change to the STIP.

NDOT's Work Program is composed of anticipated NDOT led projects, including federally funded projects in the STIP as well as state funded projects such as maintenance and preservation projects. The Work Program consists of three elements: (1) current federal fiscal year projects (Annual Work Program), (2) the short range element, which lists projects state and local entities would like to initiate within the next two to four years; and (3) a long range element, which lists projects in the planning stage or extensions of current projects to be completed within five years or more.

The Annual Work Program satisfies Nevada Revised Statute (NRS) 408. 280 requiring the Director of NDOT to submit a list of projects for the upcoming year to Governor/Transportation Board by Oct 1st. Also, the program satisfies NRS 408.203 requiring NDOT to submit a 10-year and 4-year list of transportation projects to the State Legislative Counsel Bureau (LCB) and Chairs of Assembly and Senate Committees on Transportation (Growth and Infrastructure) .

The department also regularly holds public meetings as a part of the National Environmental Policy Act (NEPA) process and to discuss projects with significant impacts.

Please also note that NDOT receives considerable federal oversight. As an agency of the Federal Department of Transportation, the FHWA currently provides the majority of project funding to the department. The FHWA is charged with managing public funds and ensuring compliance with federal laws, regulations, and policies. The FHWA/NDOT Stewardship and Oversight Agreement, establishes the roles and responsibilities of the FHWA and NDOT with respect to project approvals and related responsibilities in adherence with Title 23 Code of Federal Regulations (CFR).

NDOT contracts and agreements also adhere to the following:

- Construction Manual (dated February 2021)- This guide establishes construction program guidelines to maintain compliance with Federal and State law, as well as maintain consistency in the statewide construction program. (Title 23 CFR, FHWA approved).
- Standard Specifications for Road and Bridge Construction (Title 23 CFR, FHWA approved).
- Special Provisions - These special provisions supplement and modify the Standard Specifications for Road and Bridge Construction. (Title 23 CFR, FHWA approved).
- Comprehensive Compliance Review Plan (Submitted Annually to the FHWA).
- Contract Compliance Manual, created and provided by NDOT to ensure uniform compliance with Federal and State regulations for construction projects.
- Certified Payroll Reports and Labor
 - 23 U.S.C. 113
 - 40 U.S.C 276(a) – Rate of Wages for laborers and mechanics, also known as the Davis Bacon Act
 - 40 U.S.C 276(c) – Regulations governing contractors and subcontractors, also known as the Copeland Act

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- 23 CFR 633A
- 23 CFR 635.118
- 23 CFR 635.309
- 29 CFR Parts 1, 3, and 5
- NRS 408.55086
- Chapter 338 – Public Works
 - NRS 338.013 to NRS 338.090 inclusive
 - Office of the Labor Commissioner (OLC) is the principal wage and hour and labor regulatory agency for the State of Nevada. The OLC will review any objected NDOT payroll determinations and make a determination affirming or objecting to NDOTs findings.
- - Equal Employment Opportunity (EEO)
 - 41 CFR Part 60
 - 23 U.S.C 140
 - Title VI of the Civil Rights Act of 1964
 - NRS 613 – Employment Practices

Focusing on pages 4 through 6 of the audit, to include Exhibits I and II, under “No Agreements Required Board Approval After Signature Authority Increased”, the data used for NDOT’s agreements contained information which was not properly applied to the parameters and practice that the Transportation Board approved, distorting the number of agreements the Director and Transportation Board approved for both timeframes: July 1, 2022 – December 30, 2023 and December 31, 2023 – June 30, 2024.

To accurately capture and compare the difference between the prior signature authority limits and the approved limits that went into effect on December 31, 2023, all other items and parameters that the Transportation Board had previously delegated (outside of the signature limits) should remain the same. With NDOT’s analysis focusing on the additional contracts and agreements the Director approved between the prior limit and the increased limit from December 31, 2023, and June 30, 2024, there were two contracts that the Director signed between \$5 million and \$40 million (prior delegated signature limits and the ones approved at the end of December). The Transportation Board approved one contract during that timeframe at the February 2024 board meeting which aligned with a new Transportation Board requirement to approve any contract where the engineer’s estimate is over \$5 million, low bid price is \$20 million or under, and the low bid price is equal to or more than 20% of the engineer’s estimate.

Between December 31, 2023, and June 30, 2024, the Director signed 23 agreements between the prior limit of \$300,000 and the limit approved in December of 2023 of \$10 million, of which six were amendments. In NDOT’s analysis following the prior parameters included any amendments bringing the total amount of the agreement over \$300,000 would have required Transportation Board approval in their count. Two agreements (one agreement and one amendment) were brought to the Transportation Board for approval between December 31, 2023, and June 30, 2024, and both were unanimously approved by all Transportation Board members without any issue or concern.

Recommendation 2: Improve personnel and payroll practices

NDOT will update policies pertaining to timesheet coding and overtime practices including overtime in conjunction with leave. Additionally, NDOT will train employees and supervisors on the policies and support enforcement of the policies.

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Recommendation	Time Frame
Revise policies pertaining to employee timesheet/leave requirements and overtime, train employees and supervisors on updated policies. Request additional controls for timesheet coding be included in the new Enterprise Resource Management (ERP) system	12 months

NDOT operates 24 hours per day, seven days per week, and is responsible for over 5,963 centerline miles (13,810 lane miles) of roadway throughout the state. To accomplish this responsibility, NDOT team members must respond to emergencies, crashes, and incidents around the clock.

Pay period 16 for fiscal year 2023 (December 26, 2022 – January 8, 2023) was a period of unusually heavy snowfall, requiring NDOT team members to clear snow in order to keep roads open and safe for the traveling public. The 2023 Water Year, in particular the period from late December through the first half of January, and then again from late February through March, brought historical precipitation and snowpack conditions to parts of California and Nevada. ([CNRFC - Storm Summaries - Late Dec 2022 and Jan 2023](#)) During this time, the department was experiencing a very high vacancy rate of 20.9% overall, with vacancy rates of 22% in District 1, 29% in District 2, and 20% in District 3. Additionally, NDOT typically relies on over 100 temporary workers to assist with wintertime operations, and the department had fewer than 10 temporary workers during this time. The lack of available, qualified personnel required our team members to work large amounts of overtime to handle the workload needed to meet public safety requirements. Similarly, pay period 6 (August 21, 2023 – September 3, 2023) also required an unusual amount of overtime from NDOT staff due to flooding in Southern Nevada. During this time period, vacancy rates were approx. 20.3% overall, with vacancy rates of 24% in District 1, 28% in District 2, and 21% in District 3, in addition to an extremely low number of available and qualified temporary workers, also requiring an unusual amount of overtime from our limited staff to meet public safety demands.

I am very proud of the extraordinary commitment that the NDOT team showed during these severe weather events. NDOT team members stepped up and took on additional work during this period of high vacancies to ensure public safety 24/7, sacrificing personal time and time with their families during the holiday season.

Proper overtime pre-approvals and adherence to payroll rules and timesheet coding is of high importance to NDOT. Although it was noted in the audit that overtime reason codes were missing in some instances, these codes are mandatory in NEATS (Nevada Employee Action and Timekeeping System) and are sometimes not picked up by the HR data warehouse reporting system used in the audit.

As noted, the NEATS system does allow employees to choose any code available in the system, including those that may not be appropriate to their situation. The state of Nevada is currently implementing a new Enterprise Resource Planning system to track financial and human resource data. The department will request that additional codes and validations be added to the system to enhance system controls, but it is unknown at this time if this request can be accommodated.

Additionally, although the department agrees that a reason code of “workload” could be expanded upon for clearer reporting and understanding of overtime needs, the NDOT financial system has capabilities to pull overtime reports that include organization, activity, project, and job codes, that offer further insight into the need for the overtime and work being performed. Each timesheet also allows for

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notes to be included for each day, providing further information regarding the need for the overtime and the specific work being performed.

Recommendation 3: Enhance Policies and Procedures for Flight Operations

NDOT is in the process of updating policies pertaining to flight operations which will (1) prohibit the aircraft from being engaged for reasons other than Highway Fund activities defined in statutes; (2) ensure that non-NDOT/Highway Fund passengers fly only using excess capacity; (3) ensure flight manifests or related documentation track flight and passenger purposes for all passengers and flights; and (4) document the fact that NDOT does not request or receive compensation of any kind from non-DOT entities, for its flight operations program.

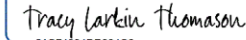
Recommendation	Time Frame
Revise policies pertaining to flight operations and track the purpose of each passenger/flight	12 months

Please do not hesitate to reach out to me should you require any additional information.

Many thanks to you and your team.

Sincerely,

DocuSigned by:



Tracy Larkin Thomason

Director, Nevada Department of Transportation

Appendix C

Timetable for Implementing Audit Recommendations

In consultation with the Nevada Department of Transportation (NDOT), the Division of Internal Audits categorized the recommendations contained within this report into two separate implementation time frames (i.e., *Category 1* – less than six months; *Category 2* – more than six months). NDOT should begin taking steps to implement all recommendations as soon as possible. The target completion dates are incorporated from Appendix B.

**Category 2: Recommendations with an anticipated
implementation period exceeding six months.**

<u>Recommendations</u>	<u>Time Frame</u>
1. Increase oversight of contracting activities and other key processes.	July 2027
2. Improve personnel and payroll practices.	July 2026
3. Enhance policies and procedures for the Flight Operations program.	July 2026

The Division of Internal Audits shall evaluate the actions taken by NDOT concerning the report recommendations within six months from the issuance of this report. The Division of Internal Audits must report the results of its evaluation to the Executive Branch Audit Committee and NDOT.

Appendix D

Nevada Department of Transportation Board of Directors' Matrix

#	Type	Board of Examiners	NDOT Board Approval	NDOT Board Informational	Tort Claims Administrator	Not Reported to Board	Source	Notes
1	100% Federal/Local expenditure agreements					x	July 2011 Board Meeting	Includes: Stewardship, Interlocal, and Cooperative agreements.
2	Agreements over \$5 million		x				June 2025 Board Meeting	Non-construction matters, except railways, urban public transport and aviation. History: Approved at the July 2011 Board Meeting. Signature Authority limits updated in November 2023.
3	Agreements \$5 million or under			x			June 2025 Board Meeting	History: Approved at the July 2011 Board Meeting. Signature Authority limits updated in November 2023.
4	Amendment bringing agreement total over \$5 million		x				June 2025 Board Meeting	For example: Existing Agreement \$4,500,000, Amendment \$600,000. Total agreement is now \$5,100,000; now requires Board approval. History: As interpreted in the July 2011 Board Meeting Approved Reporting Process. Signature Authority limits updated in November 2023.
5	Amendment keeping agreement total \$5 million or under			x			June 2025 Board Meeting	For example: Existing Agreement \$4,500,000, Amendment \$200,000. Total Agreement is now \$4,700,000; does not require Board approval. History: As interpreted in the July 2011 Board Meeting Approved Reporting Process. Signature Authority limits updated in November 2023.

#	Type	Board of Examiners	NDOT Board Approval	NDOT Board Informational	Tort Claims Administrator	Not Reported to Board	Source	Notes
6	Amendments over \$5 million		x				June 2025 Board Meeting	Regardless of existing agreement amount. History: As interpreted in the July 2011 Board Meeting Approved Reporting Process. Signature Authority limits updated in November 2023.
7	Amendments \$5 million or under – Existing agreement total over \$5 million			X			June 2025 Board Meeting	For example: Existing Agreement \$5,500,000 (already went to the Board for approval), Amendment \$1,000,000. Total agreement is now \$6,500,000. Does not require Board approval. History: As interpreted in the July 2011 Board Meeting Approved Reporting Process. Signature Authority limits updated in November 2023.
8	Claim settlements	x		x			July 2011 Board Meeting	Includes personnel, construction, and right-of-way claims.
9	CMAR construction contracts (any amount)		x				June 2025 Board Meeting	The Construction Manager at Risk (CMAR) method of procurement was not used by NDOT prior to July 2011 and therefore was not addressed in the Board Reporting policy adopted that month. This reporting process was defined and refined by the Director's Office as agreements and construction contracts for CMAR projects arose. Background: Pioneer Program Construction Manager at Risk process was approved at the November 7, 2011 Board meeting as agenda item #8. The CMAR limits were included in the Matrix that was approved by the Board in September 2013. Signature Authority limits updated in November 2023.
10	CMAR Independent Cost Estimator service agreements over \$5 million		x				June 2025 Board Meeting	
11	CMAR Independent Cost Estimator service agreements \$5 million or under			x			June 2025 Board Meeting	
12	CMAR Pre-Construction Services Agreements (any amount)		x				June 2025 Board Meeting	

#	Type	Board of Examiners	NDOT Board Approval	NDOT Board Informational	Tort Claims Administrator	Not Reported to Board	Source	Notes
13	Construction Contracts: low bid price over \$20 million		x				June 2025 Board Meeting	Background: Approved at the July 2011 Board Meeting. Signature Authority limits updated in November 2023.
13a	Construction Contracts: Engineer's Estimate is over \$5 million, Low Bid Price is \$20 million or under, and Low Bid Price is equal to or more than 20% of the Engineer's Estimate		x				June 2025 Board Meeting	Background: Approved at the November 2023 Board Meeting, ratified and clarified at the December 2023 Board meeting. Signature Authority limits updated in November 2023.
14	Construction Contracts: low bid price \$40 million or under			x			June 2025 Board Meeting	Background: Approved at the July 2011 Board Meeting. Signature Authority limits updated in November 2023.
15	Design-Build Contracts		x				July 2011 Board Meeting	
16	Disaster or Emergency Agreements			x			July 2011 Board Meeting	Authorized by NRS 408.323(2).
17	Grants			x			July 2011 Board Meeting	Exception: if it's 100% Fed/Local funding, refer to Line #1. Background: As interpreted in the July 2011 Board Meeting Approved Reporting Process.
18	Interlocal Agreements - \$5 million or more		x				June 2025 Board Meeting	Background: March 2014 Board Meeting. Signature Authority limits update in November 2023.
18a	Interlocal Agreements - \$5 million			x			June 2025 Board Meeting	Select items may be presented to the Board for program approval prior to agreement execution. Background: March 2014 Board Meeting. Signature Authority updated in November 2023.
19	Master Agreements with Task Orders: \$5 million or under			x			June 2025 Board Meeting	Individual Task Orders are not presented to the Board (see Line 27) Background: Approved at the July 2011 Board Meeting. Signature Authority limits updated in November 2023.

#	Type	Board of Examiners	NDOT Board Approval	NDOT Board Informational	Tort Claims Administrator	Not Reported to Board	Source	Notes
20	Master Agreements with Task Orders: over \$5 million		x				June 2025 Board Meeting	Individual Task Orders are not presented to the Board (see Line 27) Background: Approved at the July 2011 Board Meeting. Signature Authority limits updated in November 2023.
21	Matters Handled by State Purchasing	x					July 2011 Board Meeting	Including Master Service Agreements.
22	Non-monetary agreements			x			July 2011 Board Meeting	As interpreted by NDOT's Director's Office of the July 2011 Board Meeting Approved Reporting Process.
23	Quotes (Construction Contracts - Engineer's Estimate \$250,000 or under)			x			July 2011 Board Meeting	As interpreted by NDOT's Director's Office of the July 2011 Board Meeting Approved Reporting Process.
24	Railways, Urban Public Transportation & Aviation	x					July 2011 Board Meeting	With the passage of AB7 in 2019, it changed what contracts were sent to BOE thus allow NDOT to no longer need to bring this before BOE.
25	Right of Way Acquisition Agreements (any amount)			x			July 2011 Board Meeting	Follows FHWA processes defined in 23 CFR - time is of the essence.
26	Routine Operational Matters					x	July 2011 Board Meeting	Includes truck/special event/facility use permits, litter-free highways agreements, and leases.
27	Task Orders for Master Agreements					x	July 2011 Board Meeting	These items are reported under the Master Agreement (see Lines 19 & 20) Background: As interpreted by NDOT's Director's Office of the July 2011 Board Meeting Approved Reporting Process.
28	Time extension only amendments			x			July 2011 Board Meeting	Background: As interpreted by NDOT's Director's Office of the July 2011 Board Meeting Approved Reporting Process.
29	Tort Claim Fund				x		July 2011 Board Meeting	

#	Type	Board of Examiners	NDOT Board Approval	NDOT Board Informational	Tort Claims Administrator	Not Reported to Board	Source	Notes
30	Utility Relocation Agreements (any amount)			x			July 2011 Board Meeting	Follows FHWA processes defined in 23 CFR - time is of the essence Background: As interpreted by NDOT's Director's Office of the July 2011 Board Meeting Approved Reporting Process.
Note: Transportation Board of Directors' Matrix update approved during the August 12, 2024, Board meeting as Agenda Item #9.								

Source: Derived from the draft copy of the NDOT Board of Directors' Matrix provided by NDOT, reflecting changes in signature authority approved at the June 9, 2025, Board of Directors' meeting. Reformatted for presentation purposes.

Appendix E

Nevada Department of Transportation Signature Authority Review – Jacobs Engineering Group Inc.

ATTACHMENT C

Memorandum



Signature Authority Review for NDOT

Date: October 25, 2023
Attention: Tracy Larkin Thomason, NDOT Director
Prepared by: Jacobs

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The purpose of the memorandum is to summarize research about the signature authority and governance structure of seven state Departments of Transportation (DOT)—Utah, Washington, Arizona, Alaska, Oregon, California, and Idaho and provide final recommendations to Nevada Department of Transportation (NDOT) as they consider changing signature authority within their agency.

To review each states approach, the report on *Transportation Governance and Finance: A 50-State Review of State Legislatures and Departments of Transportation* (AASHTO [American Association of State Highway and Transportation Officials], 2022) was used to provide a base understanding and reference to how each state governs and pays for their transportation systems. Additionally, state legislation, statutes, and administrative rules were reviewed to further inform the autonomy of their varying departments.

Various authorities, including signatory, are determined through state statutes or in some cases through administrative rulemaking processes. Given the relationship between the governance structures and state DOT CEO/Director authorities, our research included a review of how each of the seven states are organizationally structured along with any recent state legislative activity intended to alter the existing structure. Each of the seven states reviewed have a board or commission, in most cases these bodies are structurally housed outside of the state DOT and serve in an advisory-only capacity. Under the organizational structures of the other state DOTs, if state procurement laws and rules are followed, signature authority is retained by the Director/CEO of the state DOT. Monetary limits exist only as it relates to budgetary and appropriation limits and procurement laws and rules such as when competitive bidding requirements are triggered. If these processes and laws are followed, state DOT Directors/CEOs (or their delegates) retain signature authority and are not required to seek approval from the board or commission.

Furthermore, the governance structures of the state DOTs that were researched are distinct from NDOT's Board in terms of oversight duties, where the Board sits structurally, and membership. It is noted that the Governor and Lieutenant Governor hold positions on the Nevada DOT Board. In most of the other state DOTs, members of boards or commissions are appointed either legislatively or by the governor and are, in most cases, private citizens. Of those states

Memorandum

researched, the board/commission duties vary from developing plans such as Long-Range Transportation Plans (LRTPs) and Statewide Transportation Improvement Plans (STIPs) to serving strictly as an advisory body by making policy and project prioritization recommendations

to the DOT. In all cases, the state DOT meets regularly with the respective board/commission and reports on activities and other performance metrics.

A more in-depth understanding of each state can be found in the appendix, and Table 1 details the commonalities between the seven states in how they run and fund their transportation department.

Table 1 Signature Authority Overview

State	Signature Authority Limits	Decision Maker	Has a Board or Commission with Oversight?	Has Legislative Control and Audits?
Utah	Unlimited within state statutory and administrative rules related to procurement.	UDOT Executive Director	Utah Transportation Commission is an independent body separate from UDOT and does not have governing authority over UDOT. The UTC serves in an advisory capacity.	The legislature and the Governor's office work together to finalize the overall state budget including UDOT's; the legislature has a limited role in project planning and selection; the legislature can conduct audits through the Office of the Legislative Auditor General.
Washington	Unlimited within appropriation limits and state statutory and administrative rules.	Secretary of Transportation	The Washington State Transportation Commission is an independent body with limited decision-making authority and no direct control over WSDOT; six other transportation-related boards and commissions that make policy and funding recommendations.	The legislature conducts agency audits including performance audits through the Joint Legislative Audit and Review Committee; the legislature approves the overall WSDOT budget and regularly earmarks federal and state funding for specific projects.
Arizona	Unlimited within appropriations limits and procurement laws/rules.	ADOT Director	The State Transportation Board is located within ADOT and has decision-making authority, as outlined in A.R.S. Title 28 Chapter 2; it serves in an advisory capacity to the director of ADOT.	There is no state legislative role in the allocation of federal revenues and a limited legislative role with state transportation funds; no further authorization is required to retain or spend excess funds nor is legislative approval required for ADOT to move funds between projects.
Alaska	Unlimited as long as	Commissioner of	The Roads and Highways	DOT&PF prepares an annual capital

Jacobs Engineering Group Inc.

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	within constitutional limitations and follows state procurement laws/administrative rules.	Transportation and Public Facilities	Advisory Board serves only in an advisory capacity, with no authority over the department; it provides recommendations on public policy related to the department's powers and duties to the governor and commissioner.	budget to be included in the governor's budget request to the Legislature who is allowed to modify or make changes; legislative approval is needed to retain and spend excess funds; the commissioner has authority to approve moving funds between projects within a single appropriation; DOT&PF is subject to legislative audits only.
Oregon	Unlimited signature authority if procurement laws/rules are followed.	Director of Transportation	The OTC is an independent oversight body separate from ODOT with decision-making authority; it establishes policy across the modes, guides planning, development, and management of statewide transportation network; in general, ODOT must seek approval from the OTC, not the Legislative Assembly, to move funds between projects.	ODOT submits Annual Performance Progress Reports and other one-time or ongoing reports to the Legislative Assembly; the Legislative Assembly doesn't conduct audits, but the OTC is required to once per biennium; Legislative appropriation and approval is required for federal and state revenues, as well as retaining and spending excess funds.
California	No specific limitations as long as procurement laws/rules are followed.	Secretary of California State Transportation and Caltrans Executive Director, Caltrans District Directors	The California Transportation Commission is an independent oversight body, structurally separate from Caltrans, which has decision-making authority. The commission is responsible for programming and allocation of funds and advises and assists the Secretary and the Legislature in formulating and evaluating state policies and plans for transportation programs.	Legislative oversight occurs mainly through the budget committee process; Transportation programs receive state funding from several dedicated revenue sources and changes can be made to the various programs being funded by the Legislature; Caltrans can retain and spend excess funds depending on the type of appropriation; Caltrans has authority to move funds between projects without Legislative authority.

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Idaho	Consultant contracts up to \$1,000,000; Construction contracts unlimited authority for projects listed in Board-approved IDT investment program.	Director (or delegate)	The Idaho Transportation Board is an independent body, separate from ITD, with decision-making authority; it's authorized to provide oversight of ITD including adopting rules and regulations, allocating funding, and selecting projects for bond-funded programs.	ITD is subject to legislative audits and administrative rules are subject to review by the relevant legislative committee; the Idaho Legislature has no formal oversight role related to IDT performance beyond annual performance reports; the Legislature reviews and approves the ITD budget; legislative appropriations are made at the program level, so ITD can transfer funding between projects in the same program without legislative approval.
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Memorandum



Recommendations/Looking Ahead

Through research and review of seven states as outlined by NDOT, ***we believe it is in the best interest of NDOT to obtain higher signature authority.*** As described above, most state DOT CEOs/Directors have unlimited signature authority as long as it is within appropriation limits and/or complies with state statutes, administrative rules, or procurement policies. In comparison, NDOT's signature authority is more restrictive than nearby states and can be seen as inhibiting them from working on important projects and contracts quicker than their peers. Jacobs recommends that NDOT look into updating their signature authority to align with that of the seven states reviewed.

The majority of the states surveyed have governance structures that allow the DOT CEO the ability to manage delivery of programs and projects within budgetary and statutory limitations without seeking approvals from a board or commission. In most cases, the commission or board serves in an advisory role to varying degrees. For example, some of the boards/commissions are required to take an active role in developing statewide plans and making project prioritization recommendations. Even when boards/commissions have this type of responsibility, the ability to enter into agreements or contracts is left to the CEO or their delegate.

The ability to execute contracts and make procurement decisions can streamline project and program delivery. Additionally, as project costs continue to rise due to inflation and other externalities, monetary limitations for signature authority could lead to an increasing number of agreements and contracts requiring board approval. This increase could impact project timelines and costs. ***From a project and program delivery standpoint, NDOT would benefit from having higher signatory limitations while continuing to maintain current reporting and communication requirements with the NDOT Board.***

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Memorandum

Appendix

Utah

In 2018, the Utah State Legislature enacted Senate Bill 136 that modified the governance and relationship between the Utah Transportation Commission (UTC) and Utah DOT (UDOT). The bill also added a Deputy Director of Planning and Investment to the UDOT leadership structure and clarified what factors should be considered in making decisions related to strategic investments. Specifically, the bill requires UTC and UDOT to include land use and economic development opportunities when making decisions about transportation projects. The UTC is an independent body separate from UDOT with limited decision-making authority. It does not have direct governing authority over UDOT, and it is comprised of seven governor appointed members each serving staggered six-year terms. The commission serves as an advisory body with the primary duty to provide guidance to UDOT on project prioritization and funding (Utah §72-1-301).

Overall, the procurement process in Utah is fairly decentralized and governed by the state procurements statutes and [administrative rule](#). Competitive procurements are required for most products and services needed by state agencies. UDOT reviews bids and makes final vendor/contractor decision ([not the Utah Division of Procurement](#)). The state procurement laws include low-bid requirements and the UDOT Director has decision-making and signatory authority.

The Legislature can conduct state agency audits through the Office of the Legislative Auditor General. UDOT is required to submit annual reports to the Legislature with information about federal receipts, recommended additions or deletions for the state highway system, and performance measures. The Legislative Transportation Interim Committee requires UDOT and UTC to jointly submit an annual report. This report includes an assessment of overall operation, maintenance, condition, mobility, and safety needs for the state transportation system. UDOT must submit a separate report about the road usage charge program and progress toward achieving the requirement that all registered vehicles be enrolled in the program (by Dec. 31, 2031).

In addition to the annual reporting requirements described above, UDOT is required to develop strategic initiatives and report on them to the UTC and the Transportation Interim Committee. UDOT is also required to report on progress toward achieving the strategic initiatives. Beginning in 2021, all state agencies, including UDOT, are required to develop performance measures in consultation with the Governor's Office of Planning and Budget and the Office of the Legislative Fiscal Analyst. The performance measures are included in the appropriations act along with recommended changes and provide information on the final status of the performance measures from the previous fiscal year. Additionally, the Legislative Management Committee can request studies between legislative sessions. In recent years the Legislative Management Committee has requested studies examining the project planning process, corridor preservation, congestion pricing, and the road usage charging program.

UDOT works with the Governor's Office of Planning and Budget to develop annual budget recommendations. The Legislature and the Governor's office work together to finalize the overall

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state budget including UDOTs. UDOT works with UTC to develop priorities and funding levels for projects that are being paid for using funding streams that are appropriated to UDOT for construction projects. Federal funding is allocated to UDOT through the state legislature either to specific departments/divisions within the agency or to specific spending categories.

UDOT coordinates with the Metropolitan Planning Organizations (MPOs) to identify projects for the LRTP and the STIP. The UTC prioritizes transportation capacity projects using a process outlined and authorized in state statute with through administrative rule. UDOT's role is to recommend projects to UTC and the commission approves or rejects the recommendations (UDOT Project Prioritization website: [Project Prioritization \(utah.gov\)](http://ProjectPrioritization.utah.gov)).

The legislature has a limited role in project planning and selection. This is a direct result of a study conducted in 2005 that found the need to reduce legislative influence in project selection and codified the role of UDOT and UTC in developing project prioritization and selection. The Legislative Management Committee reviews amendments to the process described above but does not approve. The Legislature does not earmark projects. UDOT does not need approval to move funds between projects but does require legislative approval to move funds between line items.

The Executive Director can't be removed by the Governor and there is no documented process for removing UTC members before the end of their terms.

Washington

The Washington State Transportation Commission is an independent body with limited decision-making authority. The Commission is separate from Washington State DOT (WSDOT) and does not have direct control over the agency. Its role is to develop the long-range transportation plan and set ferry and toll rates. It provides guidance and recommendations to the governor and the Legislature. The Secretary of Transportation and a representative from the governor's office serve as ex officio, non-voting members. There are six other transportation-related boards and commissions that make policy and funding recommendations to the DOT:

- Utilities and Transportation Commission – Regulates certain commercial transportation providers including moving vans, private ferries, and charter buses.
- Washington Traffic Safety Commission – Funded primarily through federal funding, the office provides guidance on safety issues. The Secretary of Transportation is a member.
- Freight Mobility Strategic Investment Board – Recommends and coordinates funding for freight projects. The Secretary of transportation is a member.
- Transportation Improvement Board – Oversees and distributes grant funding derived from a devoted portion of the state gas tax (3 cents). This grant funding is intended to support transportation projects in cities and counties. The secretary of transportation appoints most members of the board and includes two representatives from WSDOT.

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- Washington State County Road Administration Board – Provides grant funding, technical assistance, and oversight for the state's 39 county road departments. WSDOT and the County Road Administrative Board are partner agencies with no formal ties.
- Board of Pilotage Commissions – The board regulates marine pilots and is housed within WSDOT. It retains independent policymaking powers.

The Secretary of WSDOT has unlimited signature authority within appropriation limits. The Secretary of Transportation is appointed by the governor and must be confirmed by the Senate. The seven voting members of the Washington Transportation Commission are appointed by the Governor and can serve up to two consecutive six-years terms.

WSDOT can submit legislative proposals known as "agency request bills" to the governor's office for approval. Once approved it is WSDOT's responsibility to identify a bill sponsor and provide needed support throughout the legislative process including testifying to relevant committees. In terms of oversight, the legislature can conduct agency audits including performance audits through the Joint Legislative Audit and Review Committee. WSDOT is required [to submit studies and reports](#) to the legislature about specific program and planning performance as well as the status of those efforts.

The legislature also [created six transportation policy](#) goals: preservation, safety, stewardship, mobility, economic vitality, and environment. The Legislature intended for state transportation agencies to leverage the six goals to establish detailed and measurable objectives and performance measures.

Arizona

The Arizona DOT (ADOT) is led by the Director who also serves on the governor's cabinet. The State Transportation Board is located within ADOT and has decision-making authority, as outlined in [Arizona Revised Statutes](#) (A.R.S.) Title 28 Chapter 2. The governor appoints members of the board which consists of one member from each transportation district with a population of less than 2,200,000 persons and two members from each transportation district with a population of more than 2,200,000 persons. Each member serves in six-year terms which expire in January of the appropriate year (A.R.S. 28-302).

The administration of the Department of Transportation is the responsibility of the director, the Transportation Board has been granted certain policy powers in addition to serving in an advisory capacity to the director. The board is responsible for adopting the Five-Year Highway Construction Program, approving airport construction, establishing the state highway system, awarding construction contracts, and monitoring the status of construction projects. It also has the exclusive authority to issue revenue bonds for transportation financing (AASHTO, 2022). Full power and duties of the board in regard to transportation facilities are outlined in A.R.S. 28-304.

ADOT has jurisdiction over roads and bridges within the state highway system and direct jurisdiction over its only state airport where it allocates state funding for airport development. ADOT also resides over the Motor Vehicle Division, supported by the State Highway Fund which is part of the ADOT budget (A.R.S. 28-332).

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ADOT has an annual budget consisting of a comprehensive budget produced independently of the governor's proposal by the Joint Legislative Budget Committee. There is no state legislative role in the allocation of federal revenues at ADOT, so federal transportation funds flow directly to them from the U.S. DOT. For state revenues, there is a limited legislative role with state transportation funds allocated as lump sum appropriations to the department. Additionally,

ADOT can retain and spend excess funds without further authorization requirements for both unspent and revenues received in excess of appropriations, and legislative approval is generally not required for ADOT to move funds between projects.

Alaska

The Alaska DOT and Public Facilities (DOT&PF) is led by the Commissioner of Transportation and Public Facilities, who is appointed by and serves on the governor's cabinet. Within DOT&PF is the Roads and Highways Advisory Board, seven members appointed by the governor, who serves only in an advisory capacity, with no authority over the department. It serves to provide recommendations on public policy to the governor and commissioner related to the department's powers and duties. The department has jurisdiction over roads and bridges, aviation, pedestrian and bicycle, and ferries.

Both federal and state transportation funds are allocated to the DOT&PF as state appropriations to departmental programs, broad spending categories, and specific projects. DOT&PF prepares an annual capital budget, for both federal and non-federal projects, to be included in the governor's budget request to the Legislature. The Legislature is allowed to modify or make changes to the requested budget, as well as is involved in the public involvement process for the STIP and other transportation plans.

The DOT&PF has no direct legislative role, but representatives regularly interact with the Legislature to provide testimony or share perspective. The department is required to prepare fiscal notes for bills that affect them (Alaska Stat. §24.08.035), as well as submit annual reports to the Legislature concerning energy efficiency (Alaska Stat. 44.42.067). Other reporting requirements include an annual revenue report from the Alaska Marine Highway System, an annual report of expenditures and projections for the International Airports Construction Fund from the commissioner, annual reports on unexpended capital appropriations from the Office of Management and Budget, and an annual report of operations from the Knik Arm Bridge and Toll Authority. While the Legislature does not determine performance goals established by DOT&PF, they do require the creation of goals and reporting of them annually (Alaska Stat. §37.07.050).

With legislative approval, DOT&PF can retain and spend excess funds for unspent and revenues received in excess of appropriations. Capital funds are authorized for expenditure until a project is completed, and any unspent funding upon project completion is administratively lapsed or reappropriated by the Legislature. Excess revenues must be appropriated to be spent, and if additional funds become available after legislative session appropriation can be increased through a revised program legislative process with review by the Legislative Budget and Audit

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Committee. Sometimes the appropriations allow for flexibility on how much and when funding is spent. While legislative approval is required to move project funds, the commissioner does have authority to approve moving funds between projects within a single appropriation.

Oregon

In 2017, the state legislature enacted a law that moved Oregon DOT (ODOT) Director appointment authority from the Governor and to Oregon Transportation Commission (OTC). The ODOT Director does not serve on the governor's cabinet. The OTC is an independent oversight body separate from ODOT with decision-making authority and establishes policy across the modes, guides planning, development, and management of the statewide transportation network. The commission oversees the development of the LRTP, the plans for each mode, entering into agreements, approving ODOT's STIP, budget, and construction priorities. Five members of the OTC are appointed by the governor to four-year terms (ORS 184.612; 2017 Or. Laws Chap. 750; 2018 Or. Laws, Chap. 9).

ODOT is required to submit annual plans every other year to the state legislature on revenues and expenditures, the diversity of the highway construction workforce, use of photo radar in highways construction work zones, and passenger rail performance quarterly. The OTC submits reports every other year about audits of ODOT, the condition of the transportation system infrastructure and activities and recommendations of the Continuous Improvement Advisory Committee. ODOT is also required to set performance measures and report on and review them with the relevant legislative committee every other year. The Legislature can approve, deny, or modify ODOT performance measures.

ODOT can spend unspent appropriations (highway funds, not general funds) without legislative approval. OTC must approve any movement of funds between projects. If the legislature appropriated funding to specific projects, those funds can't be moved unless legislatively approved. The authority to carry out the administration, operations, and management functions of the Department and the authority to implement plans, policies and actions approved by the OTC and the authority to approve minor, non-substantive, plan amendments to Commission approved plans.

Contracts over \$250,000 require ODOT to show in writing that the contracting costs will be less than conducting the work in-house or that doing so is not feasible. Procurements over \$150,000 must go through a competitive process and must have OTC approval to use a different approach or process (ORS §279B.030; §279B.085; §279C.305; §279C.335; §279C.355).

ODOT can conduct procurements under \$10,000 using any process that the agency deems practical/convenient (ORS §279B.065). Those between \$10,000-\$150,000 can be done without going through the full competitive bid process but the agency must informally solicit three competitive bids (ORS §279B.070).

The competitive bidding process must be used for public improvement projects unless ODOT can show in writing that an alternative process will result in cost savings or other public benefit (ORS §279C.335 [which gives the director authority to use an alternative process and provides exceptions/exemptions to the competitive bidding requirement]).

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California

The California DOT (Caltrans) is led by the Director of Caltrans, while the California State Transportation Agency is led by the Secretary of Transportation, who is appointed by and serves on the governor's cabinet, and the Caltrans Director, who is appointed by the governor and subject to confirmation by the Senate. The California Transportation Commission, an independent oversight body, structurally separate from Caltrans, has decision-making authority. They are one of several state entities that make up the California State Transportation Agency. The commission is responsible for programming and allocation of funds for highway, passenger rail, and transit improvements throughout California. It also advises and assists the Secretary and Legislature in formulating and evaluating state policies and plans for transportation programs.

There are four other entities with direct jurisdiction over transportation issues including the Board of Pilot Commissioners, California High-Speed Rail Authority, Office of Traffic Safety, and California Public Utilities Commission. Additionally, the Department of Finance oversees and approves budgetary changes, the Office of the State Treasurer issues bonds, the California Energy Commission administers programs supporting zero-emission vehicle infrastructure, and the California Air Resources Board implements regulations and administers incentive programs. Caltrans has an occasional legislative role requesting "administrative proposals" through the governor's office. Legislative oversight occurs mainly through the budget committee process.

The Legislative Analyst's Office works with Caltrans to understand their budget and publish budget recommendations each year. Committee members frequently communicate directly with Caltrans about specific issues of interest, though.

Transportation programs receive state funding from several dedicated revenue sources and changes can be made to the various programs being funded by the Legislature. In 2017, to increase transparency and oversight, the commission was required to allocate the department's capital outlay support resources by project phase, including preconstruction (Cal. Government Code §14526.5; 2017 Cal. Stats., Chap. 5). Both federal and state revenues require legislative appropriation, because while funds flow directly to Caltrans for each, a budget appropriation is needed to have the authority to spend the funds. For state funds, authority is given in the state budget act under broad categories, with specific language regarding the use of state funds given by the governor and Legislature each year.

In terms of project planning and selection, the Commission is responsible for approving an entire program of projects, but it cannot approve or reject individual projects. Occasionally, certain projects are requested by the governor's office or the secretary of transportation, but their role is typically limited. Funds are typically appropriated on a program rather than project basis. Caltrans can retain and spend excess funds depending on the type of appropriation. Appropriations for which the budget authority has expired, and the designated project has been de-obligated, unless additional authority is granted, cannot be spent. Unspent dedicated transportation funds remain in state transportation accounts and are available for future transportation purposes. For revenues received in excess, transportation revenues are deposited into specified funds, retained for

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transportation purposes, and factored into future appropriations. While work performed by agencies other than Caltrans need approval of fund relocation by the Commission, Caltrans has authority to move funds between projects without it.

Idaho

The Idaho Transportation Board is an independent body, separate from the Idaho Transportation Department (ITD) with decision-making authority and is authorized to provide oversight of ITD including adopting rules and regulations, allocating funding, and selecting projects for bond-funded programs. The board also appoints the director of ITD. The board has seven members appointed by the governor and confirmed by the Senate. Six of the members represent designated districts for alternating six-year terms. The seventh member serves as an at-large representative and chairman of the board.

ITD reports monthly to the Idaho Transportation Board on professional services that were used during the preceding month; project advertisement and bid opening dates; the obligation status for the current fiscal year; and the bid status of highway projects. The ITD Director is able to approve contracts and agreements and can sign these documents. The director can enter contracts with consultants to perform duties that are not able to be provided by existing ITD staff. The director can enter routine contracts under \$1,000,000. Contracts over \$1,000,000 require Idaho Transportation Board approval. The Idaho Transportation Director can enter into construction contracts for projects listed in the Idaho Transportation Investment Program (ITIP). ITD prepares legislative proposals each year and submits to the governor's office for approval and submittal as the executive legislation package. ITD provides testimony in support of the agency's legislative proposals. ITD is subject to legislative audits and any ITD administrative rules are subject to review by relevant legislative committees. ITD is required to submit an annual performance report that includes status updates about budgetary conditions, strategic goals, services, and progress towards achieving other performance metrics. ITD is also required, as of 2015, to submit an annual report about fuel tax and registration fees revenues as well as ongoing maintenance funding needs.

The Idaho Legislature has no formal oversight role related to IDT performance beyond the reports referenced above. The Legislature reviews and approves state department budgets annually including the ITD budget. Projects are selected through a process involving several stakeholders including local and tribal governments. Identified projects are prioritized based on ITDs existing prioritized through the public involvement process during the annual update of the STIP. Idaho also has a Strategic Initiatives Program (established through legislation in 2015), and ITD selects projects using these funds that will improve safety, mobility, economic development, certain bridge conditions and maintenance. Since legislative appropriations are made at the program level, ITD can transfer funding between projects in the same program without legislative approval. The legislature has little involvement in transportation planning and project selection. ITD can retain unspent appropriations and any revenues in excess of appropriations as long as the Legislature approves.

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Appendix F

Nevada Department of Transportation Overtime by Reason Code – Fiscal Years 2023 and 2024

Code	Reason	Hours	Dollars ^a	% of Total Hrs
1	Accidents	8,975.96	\$ 328,153.73	2.2%
2	Accounting/Fiscal Issues	321.60	13,350.60	0.1%
3	Administration	2,911.83	202,514.20	0.7%
4	Administrative Support	440.96	19,355.07	0.1%
5	Backlog Reduction	1,010.44	58,836.61	0.2%
6	Budget Preparation/Response	69.88	3,980.10	0.0%
7	Client Meetings	13.00	594.47	0.0%
8	Client Services	65.75	3,040.49	0.0%
9	Conferences	258.00	12,399.48	0.1%
10	Court	14.00	499.91	0.0%
11	Coverage-Annual Leave/Military Leave	124.50	6,733.62	0.0%
12	Coverage-24 Hour Facilities	7,406.40	242,519.88	1.8%
13	Coverage-Holiday/Weekends	728.13	21,805.59	0.2%
15	Coverage-Sick Leave	173.50	7,444.40	0.0%
16	Coverage-Training	22.50	1,262.43	0.0%
17	Coverage-Vacant	998.29	46,707.14	0.2%
18	Emergencies	33,889.65	1,365,097.76	8.3%
19	Investigations	411.67	21,043.40	0.1%
20	Meetings	1,662.17	95,365.81	0.4%
21	Office Support Activities	226.67	9,523.47	0.1%
22	Personnel Issues	326.83	20,074.94	0.1%
23	Program/Project Deadlines	863.17	44,214.65	0.2%
24	Site/Equipment Repair	6,294.38	293,165.26	1.5%
25	Special Events	5,966.11	229,558.83	1.5%
26	Staff Meetings	199.58	9,210.87	0.0%
27	Training	5,022.30	195,678.64	1.2%
28	Training New Personnel	185.46	7,920.48	0.0%
29	Travel	6,679.49	345,995.24	1.6%
30	Workload ^b	152,298.67	6,735,539.97	37.9%
31	Workshops	500.50	20,780.29	0.1%
32	Unfulfilled Shift Trade Agreement	55.50	1,517.04	0.0%
33	COVID-19 ^b	71.00	3,087.63	0.0%
34	Muster ^b	26.25	1,079.05	0.0%
50	Unknown ^b	20.00	959.16	0.0%
51	Equipment Maint and Repairs	16,815.73	778,075.02	4.1%
52	Highway Maint – Betterments	9,439.05	302,338.35	2.3%
53	Highway Maint – Snow Removal	114,089.27	3,967,403.55	28.0%
54	Field Inspection	6,849.58	264,634.60	1.7%
55	Drafting	370.50	11,021.74	0.1%
56	Unknown ^b	1.00	38.36	0.0%
57	Unknown ^b	4.50	141.55	0.0%
73	Unknown ^b	0.33	15.81	0.0%
	No Recorded Reason Code ^b	21,084.13	917,806.16	5.2%
Totals		406,888.23	\$ 16,610,485.35	100.0%

Source: DIA analysis of state payroll and accounting records.

Notes: ^a Dollars include the value of paid overtime and accrued comp time.

^b Overtime reason codes with identified issues are boxed in red and highlighted in orange.