

**COLORADO STATE TRANSPORTATION COMMISSION
AUDIT REVIEW COMMITTEE**

Gary Reiff
Les Gruen
Doug Aden
Ed Peterson

Meeting Location: CDOT Headquarters Building, Denver, Colorado

MEETING AGENDA: June 20, 2012

1. **Call to Order:** Roll will be noted by the Secretary to the ARC

2. **Approval of the Agenda:** (1 min)

3. **Introduction of Audit Director:** (2 min)

4. **Approval of the Minutes of the Last ARC Meeting:** (1 min)
 - 3.1 Minutes from the ARC Meeting of April 18, 2012 Page 1

4. **Action Items:**
 - 4.1 Region 4 Historical Clearance (5 min) Page 4
 - 4.2 Lesson Learned (5 min) Page 9

5. **Information Items:**
 - 5.1 Update on Document Retention (10 min) Page 12
 - 5.2 Lean Audit and ERM Framework (15 min) Page 14
 - 5.3 Update on Electronic Workpapers (3 min) Page 15
 - 5.4 Miscellaneous Audit Communications (5 min) Page 17
 - 5.5 Audit Tracking Report (3 min) Page 26

6. **Reports to the ARC**
 - 6.1 Internal Audit Monthly Status Report (5 min) Page 29
 - 6.2 External Audit Monthly Status Report (3 min) Page 32

**Colorado Transportation Commission
Audit Review Committee
Meeting Minutes**

April 18, 2012

The April 18, 2012 Audit Review Committee (ARC) meeting was called to order by Audit Review Committee Chairman Les Gruen at 2:45 pm in Room 225 of the Colorado Department of Transportation Headquarters Building.

Audit Review Committee members present:

Les Gruen, Chairman
Gary Reiff
Ed Peterson
Doug Aden

CDOT Staff present:

Casey Tighe, Audit Division Director
Denise Harvey, Internal Audit Manager
Samuel K Nnuro, Audit Intern
Dawn Olson, Performance Auditor
Lea Mason, Contracts Auditor
Tanya Davis, Performance Auditor
Hong Zhu, IT Auditor
Scott McDaniel, CDOT Director of Staff Branches
Jeff Wassenaar, CDOT Project Development Branch Manager
Gary Vansuch, Director of Process Improvement
Tim Harris, Chief Engineer
Heidi Bimmerle, Director of DOHRA
Gregg Miller, BPA
Joe Mahoney, Manager of Administration
Johnny Olson, RTD R4
Danny Wells, Permits
Dave Wieder, Manager Staff Maintenance

Other:

Andre Compton, FHWA

Approval of Minutes of the last ARC meeting

The committee approved the minutes of the March 21, 2011 ARC meeting.

Approval of the Agenda

The Committee approved the agenda.

Acknowledgment to Audit Director

The Audit Review Commissioners recognized Casey Tighe for his outstanding contribution to the Audit Division. Commissioner Les Gruen stated that his incredible contribution will be missed and it will be hard to find someone to replace him. Commissioner Doug Aden noted that he had enjoyed working with Casey Tighe over the years and really appreciates the professionalism that he brought to the audit function.

Action Items

Fuel Reconciliation Summary Audit Report

Internal Audit Branch Manager Denise Harvey presented on the fuel reconciliation audit report. The Audit Division preformed this audit at the request of the Executive Director and the Audit Review Committee. The Audit Division was asked to review the fuel reconciliations being performed by all the regions and divisions within CDOT to ensure that reconciliations were being performed accurately and completely. Ms. Harvey mentioned that employees are diligently performing fuel reconciliations and striving for ways to improve the reconciliation process. She highlighted a few positive areas:

- Two areas, the HQ Front Office and Region 4, had no findings because the fuel reconciliations were performed accurately and completely.
- Region 1 (orange Fleet) has developed one of the most robust reconciliation processes in place.
- Staff Maintenance has developed training for the vehicle coordinators and completed training for all Regions by traveling to each region within CDOT and provided training for the majority of vehicle coordinators.
- Staff Maintenance has developed a Fuel card Standard Operating Guide which they distributed in March 2012 to all vehicle coordinators.

Overall, the Audit Division was very pleased with the outcome. However, there are still two outstanding recommendations that the division will continue to monitor until implemented.

I 70 Central Park Blvd Audit Report

John Vetterling, Engineering Auditor, gave a report on the I-70 Central Park Boulevard Interchange project administered by the City and County of Denver. The Audit Division performed this audit as part of ARRA Stewardship Agreement with the FHWA. He mentioned that the project was selected for review because of its size and complexity. In addition, a review of their A-133 audit from the previous year indicates potential compliance issue. A review process discovered that the City of Denver was not administering the proper on-the-job training program. He mentioned that there also was a lack of timely invoicing, which could complicate the cash flow management for CDOT and create reporting problems for FHWA. It was not clear whether Denver was in compliance with CDOT procedures and federal regulations regarding project charges.

Information Items

Audit Tracking Report

Audit Director Casey Tighe introduced the Open Audit Recommendation Follow-up Report. He stated that at the request of the Executive Director, the Audit Division was asked to obtain status updates on all open audit recommendations once per quarter. Mr. Tighe noted that since most of the follow-up process was being performed by Denise Harvey she will provide the update. Ms. Harvey stated that the overall goal is to have recommendations implemented within one year of the report, unless there are extenuating circumstances. The Audit Division followed up on seventy-nine open recommendation during the month of February 2012. Of those seventy-nine, eighteen recommendations were closed and there were twenty-four items for which management did not provide an update. However, she highlighted on some areas of improvement and commended management for their effort.

Update on Property Management

Dave Wieder of Staff Maintenance provided an update on the progress made on the recommendation from the Property Management Audit.

Adjournment

Being no other business, questions or comments, Chairman Les Gruen adjourned the meeting at 4:00 PM.

STATE OF COLORADO

DEPARTMENT OF TRANSPORTATION

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DATE: D R A F T

TO: Audit Review Committee, Transportation Commission

FROM: Director of the Division of Audit

SUBJECT: Region 4 Historical Clearance Process
Report of Internal Audit AI 1205

EXECUTIVE SUMMARY

CDOT is required by state and federal law to identify and evaluate the significance of historic and prehistoric resources prior to potential impacts related to transportation construction and maintenance activities. CDOT has a Planning and Environmental Section in each region that reports to the RTD, and a Headquarters Section that reports to the Director of the Division of Transportation Development. Historical and archaeological investigations entail the documentation, interpretation and preservation of cultural resources that are evaluated as significant in the context of our shared historic and prehistoric heritage. Cultural resource research is undertaken by in-house CDOT professional staff and private consultants for all state and federally funded transportation construction and maintenance projects that require substantial ground disturbance.

Section 106 of the National Historic Preservation Act (NHPA) requires Federal agencies to take into account the effects of their undertakings on historic properties and afford the Advisory Council on Historic Preservation (ACHP) a reasonable opportunity to comment on such undertakings [36 CFR 800.1]. A Programmatic Agreement between FHWA, the Colorado State Historic Preservation Officer (SHPO), ACHP and CDOT, effective 5/6/2010, outlines the Section 106 compliance process.

CONCLUSION

The Region 4 Environmental & Planning Unit improperly approved historical clearances for projects and has inadequate documentation of historical clearances in their project files. Of the projects tested, 6 out of 21 (29%) were not in compliance with the Historical Clearance per Section 106 of the Programmatic Agreement and 3 additional projects (9 out of 21, or 43%) had incomplete Historical Clearance documentation in the project file. A process change in the fall of 2011 brought some improvement.

BACKGROUND

Information was brought to the attention of CDOT's Internal Audit Division and the Federal Highway Authority (FHWA) alleging non-compliance with the Programmatic Agreement (PA) regarding compliance with Section 106 of the NHPA in Region 4. The concern of non-compliance was brought about when the Region 4 Historian was assigned to a special project during the months of May through December, 2011.

AUDIT OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective is to ensure that the Region 4 historical clearances on projects are being performed, and that the appropriate CDOT employees are signing off on the historical clearances, especially for projects using a Categorical Exclusion.

Our scope and methodology included the following:

- Reviewing relevant policies, procedures, and legal/regulatory requirements;
- Reviewing documentation in the project files related to compliance;

The fieldwork for this audit was completed in April, 2012, as a joint venture between CDOT Internal Audit and FHWA Environmental.

We reviewed requirements and sampled data from all areas tested in our audit scope. We selected our samples to provide sufficient coverage of those areas. The results of our tested samples cannot be projected to the entire population. We conducted onsite review of the supporting documentation from our samples, and tested 21 project files for compliance with the Programmatic Agreement related to Historical Clearances out of a universe of 75 Region 4 Categorical Exclusion Project files which had historical clearances and/or went to advertisement between January 1, 2011 through March 15, 2012.

AUDITING STANDARDS

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Findings and Recommendations

FINDING 1

The Region 4 Environmental & Planning Unit has improperly approved historical clearances for projects and has inadequate documentation of historical clearances in their project files, according to the Programmatic Agreement regarding compliance with Section 106 of the National Historic Preservation Act.

Criterion

According to the Programmatic Agreement for Section 106,

- These actions prescribed shall be carried out by or under the direct supervision of a person(s) meeting the US Secretary of the Interior's Professional Qualification Standards per 36 CFR 61 (Historian)
 - Actions that involve the identification, evaluation, analysis, recording, treatment, monitoring, or disposition of historic properties,
 - Actions that involve the reporting or documentation of such actions in the form of reports, forms, or other records
- Any undertakings that meet the requirements (of exempted categories) will be documented in the project file.
- If CDOT finds that there are no historic properties or no effect, CDOT shall provide supporting documentation to SHPO and to the project file.
- Finding of No Adverse Effect--CDOT shall make a formal finding and CDOT shall submit to SHPO and to the project file.
- Finding of Adverse Effect--CDOT shall make a formal finding of adverse effect and CDOT shall submit to SHPO and to the project file.

According to CDOT's Section 106 procedural guidelines,

- Any time an undertaking may have an impact to historic properties:
 - The Regional Planning and Environmental Manager (RPEM) should notify the Historian, who will determine whether any resources may be affected.
 - CDOT Form 128, Categorical Exclusion Determination, is to be used to obtain regulatory compliance with NEPA and to indicate which environmental clearances are needed and for which Categorical Exclusion.
 - The RPEM is to certify by signature that all clearance actions required have been completed, that the appropriate documentation is in the project file, and that the Environmental Project Certification is in compliance.

Condition

This audit tested a sample of 21 projects out of 75 projects identified by the audit scope.

- 6 projects (29%) were not in compliance with the Historical Clearance per the Programmatic Agreement 106.
- These 6 projects, plus an additional 3 projects (43%) had incomplete Historical Clearance documentation in the file.

As of February, 2012, R4 is currently without a Historian.

Cause

The R4 Historian was directed to work on a Historical Ditch project starting May, 2011. Between May and September, 2011 there were 4 projects that were not reviewed for Historical Clearance and are, according to the FHWA, not in compliance with PA Section 106.

On 9-20-2011, at an environmental staff meeting, a new protocol to have projects run through the R4 CDOT Historian for historic clearance by the Environmental Project Lead went into effect. After

this new protocol, two additional projects were bypassed for historical clearance, resulting in non-compliance with PA Section 106.

When project files are missing clearance correspondence, they may also be considered out of compliance. There were 5 projects with incomplete documentation prior to the new protocol and 4 projects with missing documentation after the new protocol.

Effect

FHWA could pull federal funding on CDOT projects that failed to follow protocol, as defined in the Programmatic Agreement, and that failed to ensure that historical clearances were executed by a Historian and documented appropriately in the project files.

RECOMMENDATION 1

It is recommended that the R4 Planning and Environmental Manager develop a method to ensure that projects are cleared, as required, for historical actions, by a Historian and that the project files have complete documentation to support compliance with rules and regulations.

Response from Region 4:

Region 4 accepts the Finding and Recommendation in this Audit Report and is prepared, or has taken steps, to improve our process to ensure future compliance. Environmental Staff will receive instruction on the requirements of the Programmatic Agreement, Section 106, and on the proper historic documents to include in project files. The Region's Environmental checklist will be modified to include a statement that Historic Clearance is required for every project with a documentation check-off. The Region Planning and Environmental Manager (RPEM) will coordinate with the Environmental Program Branch staff and consultants to obtain Historic clearances. The RPEM will pursue filling the position of R4 Senior Historian. At three months, six months, and one year the Region Planning and Environmental Manager and the Environmental Manager will review all projects for compliance. See Attachment.

Targeted Implementation Date: 7/2/2012

RELEASE OF REPORT

The Audit Review Committee (ARC) of the Colorado Transportation Commission will review this report at their meeting on June 20, 2012. At that time, the ARC may approve the report for release.

DISCUSSION WITH RESPONSIBLE OFFICIALS

We reviewed this report with the Region 4 RTD and the Region 4 Environmental & Planning Manager.

Upon release of the audit report by the ARC:

Don Hunt, Executive Director

Herman Stockinger, Deputy Executive Director

Johnny Olson, Region 4 RTD

Myron Hora, Region 4 Environmental and Planning Manager

William Haas, FHWA, Planning & Environment Team Leader

Stephanie P. Gibson, FHWA, Environmental Program Manager

Donna S. Harmelink, P.E., FHWA

Dawn Olson, CDOT Internal Auditor

MEMORANDUM

DEPARTMENT OF TRANSPORTATION

Region Four
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ATTACHMENT

DATE: June 5, 2012
TO: Dawn Olson
FROM: Myron Hora
SUBJECT: Historic Compliance Audit in Region 4

Background

Findings of up to 43% non-compliance in an environmental program are sure to raise red-flags. Such is the case with the recently completed Region 4 Historical Clearance Process audit, AI I205. With the audit discovering nine out of 21 project files not having adequate historical clearance information and finding six of the 21 as non-compliant with the Programmatic Agreement (PA) for Section 106, the region is prepared, or has taken steps, to improve our process to ensure future compliance.

Lessons Learned

The driving factor for non-compliance was the lack of understanding on Section 106 and the PA requirements. As pointed out on page 3 of the Audit findings, any action taken in regard to historic properties and the PA must be performed by a person meeting the US Secretary of the Interior's qualifications. This includes actions that identify NO historic properties are in the project area with proper reporting to the SHPO and documentation in the project file. Together with the requirement to notify the Historian when historic properties MAY be affected, the lesson learned is EVERY project must have a qualified Historian evaluate and provide documentation on historic impacts. This documentation must be placed in the project file.

One of the questions with the clearance procedures is the utilization of the CDOT form #128. The current version provides one checkbox per environmental resource, which is utilized to note if the resource is, or is not, present. When checked, the resource is present and date of clearance field is completed. When not checked, the resource is deemed to not be present or an issue and no further evaluation is completed. For many of the findings, the checkbox was not marked and the evaluation or documentation from an Historian was not requested.

Process Modification

Page 4 of the audit touches on a new protocol in the Region's Environmental unit in which each project is run through the R4 CDOT Historian. Monthly, the environmental staff reviewed all active projects and established a prioritized list with the historian to scope or to clear projects. The intent of the new protocol was to meet the PA requirements of having the Historian evaluate and provide documentation for every project. However, the findings of the audit show two additional projects were bypassed for historic clearance after the protocol was implemented. Clearly, there is still a need for improvement.

Region Recommendations for Achieving Compliance

- Training
 - Environmental Staff will be informed on the findings of the audit
 - Environmental staff will receive instruction on the requirements of the PA and Section 106.
 - Provide training to staff on the proper historic documents to include in project files.

- Process
 - The region specific checklist in each project file, noting resources and clearances required that are NOT listed on the CDOT form #128, will be modified to include a statement that Historic Clearance is required for every project with a documentation check-off.
 - All forms #128 will have the Historic checkbox marked with the clearance date field completed.
 - Monthly project meetings will continue.

- Staffing
 - The Region Planning and Environmental Manager (RPEM) will coordinate with EPB staff and consultants to obtain Historic clearances.
 - The RPEM will pursue filling the position of R4 Senior Historian.

- Monitor
 - At 3 months, six months, and 1 year the Region Planning and Environmental Manager and the Environmental Manager will review all projects for compliance.
 - If necessary, additional controls will be implemented following reviews.
 - Monitoring will continue as needed.

Finding Responses

Count	Project Name	Response
6	Milliken Sidewalk	Project within existing ROW. Staff understanding allowed for work in existing ROW without additional historic documentation or review.
7	US 34 and Garfield	Misunderstanding on the part of the Environmental Project Lead (EPL) and the Project Manager (PM). The PM told the EPL all work was within existing ROW. The PM did not expand on the conversation to include properties already acquired, including the historic houses. This project should have had proper historic review and documentation.
8	Wiggins RR Sidewalk Crossing	Complete documentation not provided to EPL by Historian.
10	SH 93 Critical Culvert Rehab	Autobee provided verbal "clearance" to the EPL. No additional documentation provided.
13	US 385 and US 36	This project had only state funds, and staff's prior understanding was state only projects did not need Section 106 compliance.
15	R4 FY 11 Larimer Safety	Project within existing ROW. Staff understanding allowed for work in ROW without additional historical documentation or review.
18	US 85 and CR 42	Complete documentation not provided to EPL by Historian.
19	US 6 Sterling	Complete documentation not provided to EPL by Historian.
20	Homesteader Park 2	This project had only state funds, and prior understanding was state only projects did not need Section 106 compliance.

Response to Central Files Document Retention 1201

Background – CDOT’s Audit Branch examined CDOT’s compliance with applicable policies and procedures on document retention. The audit was focused on record retention policies, procedural directives, and practices. This audit determined that strategic decisions need to be made about CDOT’s document retention program.

Summary of Findings:

1. Strategic decisions should be made about CDOT’s document retention program.
 - a) A decision needs to be made about whether or not construction files should continue to be sent to Central Files or whether to implement an efficient and effective decentralized process.
 - b) A strategic decision needs to be made in regards to whether or not CDOT will begin the process of implementing an Electronic Document Management System.
2. The Procedural Directives for Central Files are not being followed. Also, the process for disposition of records is not clearly documented and CDOT may not be in compliance with Colorado State Statutes regarding document disposition.
 - o Procedural Directive 21.1 is outdated and not in compliance with Colorado State Statutes and the Colorado State Archivist website.
 - o The process for disposition of records is not clearly documented in any of the Procedural Directives.
 - o CDOT Record Coordinators have not been properly trained in their roles and responsibilities.
3. CDOT does not have a strong process to ensure the CORA requests related to litigation are sent to the CDOT CORA Coordinator.
 - o The process for Colorado Open Records Act (CORA) records is decentralized, and the risk of not following this process is increased because CDOT has a lack of controls for reducing these risks.

Response to Findings:

Will provide an update to the Audit recommendations at the 6/20/12 Audit Review Committee Meeting.

Knowledge Management Governance

Background – In November 2011, CDOT’s Information Technology Management Team (ITMT) created a special working team to study the issue of data management and document management systems. The team was tasked with the following:

- Define data management and document management.
- Describe what technology, policies, and processes exist currently at CDOT.
- Summarize state and federal requirements.
- Document best practices of other DOT’s.
- Draft business case that includes benefits and initial risk identification.
- Provide recommendations for next steps.

Based on a recommendation from the project team, the ITMT is implementing a Knowledge Management Governance (KMG) structure for CDOT.

What is it? – KMG is the execution and enforcement of authority over the management of information, data, and content assets and the performance of their functions. The governance defines how the organization coordinates the strategic management of its knowledge resources. This includes establishing clear roles, responsibilities, and authorities through various committees and work structures.

Why do it? - Several benefits accrue to improved knowledge management:

- Policy and Institutional Benefits – an ability to compare the results of all projects in a consistent manner.
- Planning and Programming Benefits – an increased ability to track the success of programs in terms of defined goals and objectives at the departmental and program levels.
- Program Delivery Benefits – identification of opportunities for risk and cost reduction associated with data collection, analysis, and management.
- Information and Analysis Benefits – better and smarter use of existing system capabilities.

Additionally, several risks have been identified related to a lack of an organizational approach to knowledge management:

- Legal Implications – inability to provide data, information, or documents if required by law. Also, there may be legal ramifications for holding onto a document for longer than required (example: out-of-date documents or two versions of the same document being incorrectly used).
- Public Transparency – inability to provide data, information, or documents if requested by the public.
- Efficiency – the impacts and costs to CDOT realized with not having data, information, or documents properly managed.

Who does it affect? – Everyone. KMG establishes the policies, practices, standards, and procedures for how CDOT manages its knowledge assets. An example of knowledge assets includes, but is not limited to:

- Records
- Documents
- Web content
- Databases

KMG also includes the technology used to store, share, and disseminate knowledge such as:

- SAP
- Regional SharePoint Governance (Lean Initiative)
- Plone
- ProjectWise

Lean Audit

Background

- Governments face increased pressure to be more efficient and accountable.
- In Colorado the General Assembly has mandated this through the SMART Government Act and the Lean Government Act.
- The Governor fully supports this, and has included this in his “State of the State” addresses.
- CDOT has committed to implementing Lean principles throughout the Department.

What is Lean?

- Lean is a process of continuous improvement that emphasizes elimination of waste and a focus on processes that add value to the customer. Lean’s goal is to engage everyone in the organization in improving every process, every day (even if many of those improvements are small).
- The implementation of Lean in CDOT requires changes within the Audit Division as well as changes to the way we Audit the Department.

The Lean Audit Function

- Reducing non-value-added work
 - Greater use of memos instead of full reports
 - Conducting more reviews where appropriate versus detailed examinations
 - Reducing or eliminating non-essential paperwork
 - Reducing management and administrative time
- Greater focus on delivering value to CDOT
 - Emphasis on value added instead of raw count of audits
 - Function as a resource instead of a police force

Auditing the Lean Organization

- Reduce overlap with other groups – ERM Framework
- Avoid duplicating efforts of Lean initiatives
- Assist with accountability of Lean processes

STATE OF COLORADO

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DATE: June 7, 2012

TO: Audit Review Committee

FROM: Barbara Gold, Audit Director

SUBJECT: Electronic Workpapers

Currently, CDOT uses a manual process for workpaper documentation while performing audits. However, various electronic audit management software packages are available. Electronic audit management packages have various modules that can help improve the efficiency and effectiveness of the audit division. Modules include:

- Electronic workpapers;
- Time and expense capturing;
- Audit scheduling; and
- Risk management.

More and more audit departments have adopted electronic workpapers. In Colorado, the Office of the State Auditor and the Department of Revenue both utilize a specific package called “TeamMate”; the Department of Human Service and the Department of Personnel and Administration are also considering purchasing TeamMate. Since the Colorado Office of the State Auditor utilizes TeamMate, there is a possibility for other State Agencies to piggy-back on their contract. This could potentially reduce the overall cost of obtaining an electronic audit management software package.

When we inquired, the Colorado State Auditor’s Office stated:
“Overall, we believe the application helps to improve the efficiency of our audit work. The real benefit is that we have all of our workpapers in one centralized, electronic location. This makes it very easy to maintain control, per standards and statutory requirements, over our workpapers while not having to send boxes and boxes of workpapers off-site for storage.”

Several State DOTs also use TeamMate. We spoke with the Audit Director from Montana’s Department of Transportation regarding their experience with TeamMate. Below are some of the benefits they mentioned:

- Their Office Supply budget was reduced from \$34,000 per year to \$7,000 per year (approximately 80%);
- Budgeted hours for each audit have been reduced by approximately 10% due to the increased efficiencies in the automated packages, which has freed up resources to perform additional auditing work;
- Managers are able to review workpapers every two to three days instead of at the end of the audit which has helped keep everyone abreast of the status of the audits and the findings; and
- They were able to set up a report template and the majority of the information is pulled directly out of the workpapers, which has reduced the number of hours spent on report writing.

Montana has roughly the same number of auditors CDOT has, and the cost for the package was approximately \$45,000 for the initial implementation and approximately \$9,500/year.

Also, many other State Departments of Transportation use TeamMate which has helped to reduce the travel requirement for the AASHTO Peer Reviews.

In an effort to be more efficient and effective, we believe it would be prudent to investigate purchasing an electronic audit management software package for CDOT.

MEMORANDUM

DEPARTMENT OF TRANSPORTATION



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DATE: 06/04/2012

TO: Gregg Miller, CDOT Business Process Architect

CC: Heidi Bimmerle, Director of DORA
David Luhan, OIT Director
Robyn Tripp, OIT Network and Security Services Manager

FROM: John Vetterling, Interim Director of Audit

SUBJECT: IT Network Inventory

It was brought to audit attention that the OIT Network unit does not have a comprehensive inventory process for CDOT IT assets and inventory. We feel these matters warrant management's attention.

Background:

CDOT network devices are purchased by the Network unit at HQ based on needs of different units at CDOT. These devices are shipped to the CDOT HQ OIT office before being deployed to regions. When the regional IT representative receives the replacement equipment, they are supposed to send back the older equipment once the new equipment is in place and functions properly. Since all network equipment purchasing and distribution happens at HQ, the Network Unit is charged with the network inventory.

Finding 1: Internal controls over the network inventory are inadequate

We interviewed the manager and employees from the Network unit. We were told that there has never been a comprehensive inventory process implemented in this unit. We were not able to obtain any documented policies and procedures regarding the inventory process. Neither could we obtain inventory records to reconcile what was purchased vs. what was received; or what was issued to the regions vs. what was sent back.

One employee in the unit handles inventory but stated there was no clear communication and comprehensive instructions and guidelines to follow. When devices are shipped to the docking area, he is notified to retrieve the packages. Once the devices are unpacked, they are "up for grabs". There is no secured storage area. IT employees take them without any checking out process. There is no record of who takes equipment nor where to. The regions are supposed to send the original back once the new item is installed and tested but it does not always happen.

The employees from this unit we interviewed had an impression that sometimes items such as power supplies or switches have gone missing. They believed all large equipment are accounted for, but stated if there are missing items they would not necessarily know.

Recommendation 1:

- We recommend that the Business Architect develop and implement a comprehensive inventory process to safeguard CDOT IT assets.

Management Response

Business Process Architect: CDOT is working with OIT on developing a long-term asset management system to track and monitor all IT assets. In the near-term, CDOT will create an inventory and tracking process for all IT equipment similar to the process that was created for the FY12 PC rollout process, which included the BPA and Procurement working together to track deployment of new equipment and the proper disposal of old equipment.

Finding 2: Inventory records are not properly maintained and reviewed for consistency and accuracy

We conducted an audit in 2008 on IT governance related to the OIT consolidation where we pointed out weaknesses in inventory tracking. Based on the management response, our understanding was that IT would use Remedy to track inventory data. The response at that time was:

Asset inventories are currently being refreshed statewide. Movement of assets (move, add, changes) will be tracked in Remedy by SAP building number so that the asset value in SAP can be cross-referenced in Remedy or visa-versa. Remedy will need some customization to accommodate this new process and we will hire temporary help in the April timeframe to begin work on Remedy.

We attempted to obtain a list of network inventory from Remedy and were told that the Network Unit does not supply inventory data to the Remedy system.

The employee in charge of network inventory unofficially keeps track of the devices with serial numbers when he unpacks shipments. However he stated that he wasn't told what information he needs to record nor does anyone use his records for inventory tracking. There is no formal reconciliation between what was ordered and what was received. In addition, there is no record as to whether the region returns any devices after they are replaced.

Recommendation 2:

- We recommend that the Business Architect develop and implement an inventory database to track the life cycle of IT assets.

Management Response

Business Process Architect: CDOT is working with OIT on developing a long-term asset management system to track and monitor all IT assets. In the near-term, CDOT will create an inventory and tracking process for all IT equipment similar to the process that was created for the FY12 PC rollout process, which included the BPA and Procurement working together to track deployment of new equipment and the proper disposal of old equipment.

Finding 3: Equipment removal process needs to address the issue of inappropriate appearance

As we described in Finding 1, any IT employee can take equipment and carry it outside CDOT. There is no tracking of who takes equipment or where they take it to. There is an equipment transport form which is required when shipping CDOT equipment off-site but we found this form is rarely used.

We were told that occasionally IT employees are seen transporting boxes of IT equipment using their personal vehicles. This can create the appearance of impropriety, even where there is no actual improper behavior.

Recommendation 3:

We recommend that the Business Architect develop consistent procedures for the removal and transport of CDOT equipment to prevent the appearance of impropriety.

Management Response

Business Process Architect: CDOT will work with OIT employees to make sure the equipment transport form is always used whenever equipment is taken off-site.

MEMORANDUM

DEPARTMENT OF TRANSPORTATION

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DATE: June 5, 2012

TO: John Eddy, Contracts and Market Analysis Manager
Paul Jesaitis, Region 6 South Program Engineer

FROM: John Vetterling, P.E., Interim Audit Director 

SUBJECT: Review of Davis-Bacon Wages for Castle Rock Construction Company

Background

We received a call from a former Castle Rock Construction Company employee alleging that the company was not complying with the wage requirements of the Davis-Bacon Act.

The Davis-Bacon Act is a federal law which established the requirement that all federally funded construction projects must include provisions for paying workers on the project no less than the locally prevailing wages and benefits paid for similar work. CDOT fulfills this requirement through the inclusion of a standard special provision on federally funded projects. The prevailing wages are determined periodically by the US Department of Labor, which publishes wages determinations that list the prevailing wage and fringe benefit for several labor classifications.

On federally funded construction projects, contractors are required to submit payroll data to CDOT and to certify that they are in compliance with the requirements of the Davis-Bacon Act. CDOT project staff are required to review this data monthly to ensure compliance with the Act.

Review Procedures

We performed the following procedures:

1. We obtained and reviewed pay stubs from the former employee;
2. We identified several CDOT projects the employee worked on;
3. We obtained project payroll records for one of the projects identified in #2 above and reviewed the reported wages to the wages from the appropriate wage determination;
4. We compared the wages from a sample of the pay stubs to the reported wages from the project records.

We did not perform an audit in accordance with the GAO *Government Auditing Standards*; hence, we are not expressing an opinion on whether Castle Rock Construction Company is in compliance with the requirements of the Davis-Bacon Act. We are only expressing an opinion regarding the pay periods we reviewed for this specific employee.

Findings and Recommendations

1. All of the certified payrolls that we reviewed showed evidence of review by the project staff;
2. The wages and fringe benefits that we reviewed were in compliance with the rates established in the appropriate Wage Decision issued by the US Department of Labor.

Our review indicated that the wage and fringe benefits were paid by Castle rock construction in compliance with the established rates. It appears that the way Castle Rock Construction treated fringe benefits for its employees caused confusion with the worker and led that person to believe that they were not being paid correctly.

c: Reza Akhavan, Region Six Director
Ron Buck, Resident Engineer
Scott Smith, Project Engineer

MEMORANDUM

DEPARTMENT OF TRANSPORTATION

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DATE: May 9, 2012

TO: Deborah Gallegos, EEO Branch Manager
John Eddy, Contracts and Market Analysis Branch Manager

FROM: John Vetterling, P.E., Interim Audit Division Director

RE: Prompt Payment on Consultant Contract

The Audit Division recently conducted audits of consultant contracts and identified issues which need to be brought to management's attention. Federal regulations require that recipients of federal funds have requirements for prompt payment of subcontractors. In the course of several audits we found instances of DBE sub-consultants who had not been paid in 90 to 120 days from the date when they initialed invoiced for work. While CDOT has requirements for prompt payment on construction contracts, the Department does not appear to have adequate contractual requirements or monitoring procedures for prompt payment on consultant contracts.

The Audit Division recommends that language regarding prompt payment be added to consultant contracts and that the Department develop monitoring procedures to ensure compliance with state law and federal regulations.

Background

By federal regulations a recipient:

“...must establish, as part of your DBE program, a contract clause to require prime contractors to pay subcontractors for satisfactory performance of their contracts no later than 30 days from receipt of each payment to the prime contractor.” (49CFR Subpart B 26.29)

While this requirement comes from the federal DBE regulations, the requirement applies to all subcontractors, not just DBE subcontractors.

Colorado law requires contractors to make payments to subcontractors within seven (7) calendar days of receipt of payment from CDOT. (CRS 24-91-103(2)). While the Colorado law does not specifically address engineering consultants, the Attorney General is of the opinion that the law is sufficiently broad as to possibly apply to designers as well as construction contractors.

The CDOT Center for Equal Opportunity is currently working on revising its DBE Terms and Conditions for Consultant Contracts. The draft proposal includes a provision implementing the prompt pay requirement. However, DBE provisions are often overlooked when there is a zero percent goal or when the subcontractor is not a DBE. Hence, the Center for Equal Opportunity

recommends that a prompt pay provision be included in the standard contract terms. Additionally, in support of this, the Center for Equal Opportunities believes that receiving timely payment is a concern for all small businesses including those utilized on solely state funded contracts where the DBE requirements do not apply.

Observations

- CDOT does not have a prompt payment clause in consultant contracts: CDOT has a prompt payment requirement for construction projects incorporated in the *Standard Specifications* at Section 109.06(e) *Prompt Payment*. However, the standard consultant contract does not contain a prompt payment clause, as required by the federal regulations.
- CDOT does not have controls to ensure prompt payment of sub-consultants: The federal regulations also require recipients to ensure prompt payment. CDOT does not appear to have any mechanism for monitoring the timeliness of payments to sub-consultants hence the Department is unable to ensure prompt payment.
- Some DBE sub-consultants are not being paid promptly: In the course of our audits we found several instances of DBE sub-consultants who had not been paid for 90 to 120 days after they had performed work and had invoiced the prime consultant for the work. While some of the delay was possibly due to slow billing procedures on the part of the prime, there were also cases where the prime was slow to pay the sub-consultant after CDOT had paid. The purpose of the DBE program is to assist smaller firms who may lack the financial resources to go several months before getting paid for work. Therefore prompt payment is a critical element of a successful DBE program.

Suggestion 1: CDOT should include prompt payment language in its standard consultant contracts, irrespective of the funding source.

Suggestion 2: The Department should develop procedures for monitoring payments to sub-consultants to ensure that prompt payments are occurring.

cc: Tim Harris, Chief Engineer
Scott McDaniel, Staff Branches Director
Liliya Gershman, CDOT Controller
Greg Diehl, Civil Rights Manager
Kathy Young, Senior Assistant Attorney General
Leo Milan, Assistant Attorney General

MEMORANDUM

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DATE: April 23, 2012

TO: Richard Zamora, Project Development Branch Manager
Scott McDaniel, Staff Branches Director

FROM: *Casey Tighe*, Audit Division Director

RE: Revisions to Construction Manual for Finals Process

The Audit Division and the Quality Improvement Council, in independent reviews, previously identified inefficiencies in the Project Finals Process at CDOT. A task force was established to respond to the inefficiencies identified in the reviews of the finals process by the Audit Division and the Quality Improvement Council. The task force developed changes to the Construction Manual which were prepared for inclusion in an update to the Construction Manual that was scheduled for early 2011. The update of the construction Manual has been delayed for several reasons.

We suggest that the revisions to the finals process that were developed by the task force be issued as a construction bulletin, if the update to the Construction Manual is not approved in the next three months.

Background

By federal regulations CDOT is required to:

“have procedures in effect which will provide adequate assurance that the quantities of completed work are determined accurately and on a uniform basis throughout the State. All such determinations and all related source documents upon which payment is based shall be made a matter of record.” (23 CFR Part 635.123)

The Department has traditionally fulfilled this requirement by having projects reviewed by a Finals Engineer in each region. Procedures and requirements for conducting the finals process are provided in Section 121 of the Construction Manual.

In 2001 an Audit of the finals process found that there were inefficiencies in the process. A Quality Assessment Review (QAR) by the Quality Improvement Council, conducted in 2006, also found inefficiencies in the process. In particular the QAR found,

“that there are important improvements that can be made in the future. The role of the finals checker has been evolving over the last several years and needs to be clarified. More specific

language needs to be added to the Construction Manual to ensure checking procedures are uniformly enforced and reporting of deficiencies found are consistent on a statewide basis....”

In the spring of 2010 a task force was formed to revise the section on finals in the Construction Manual in order to clarify requirements and eliminate non-value-added requirements. This group completed its work in July 2010 and forwarded the proposed revisions to various other parties in CDOT for review and comment. Review and comments were completed by September 2010. At that time the project Development Branch anticipated issuing the revisions as part of an update to the Construction Manual to accompany the 2011 issue of the *Standard Specification for Road and Bridge Construction*, in early 2011. The update to the Construction Manual has been delayed for a variety of reasons. As a result the revisions to the Finals Process have still not been issued 18 months after the work was completed.

Observation and Suggestion

Observation: While there are many reasons why the update to the Construction Manual has been delayed, this has created unnecessary delays in implementing important improvements to the Finals Process. As a result, the finals process continues to be implemented inconsistently around the state. In addition, some of the regions have developed individual requirements that do not add value. Some of these are undocumented or informal, but continue to be required. These cost CDOT in terms of time and staff resources, as well as delaying project closures, while providing little to no value to the state.

Suggestion: Unless the updated Construction Manual will be released within the next three months, we suggest that the revisions to the Finals process be issued promptly in the form of a Construction Bulletin. The more time that passes the more stale the revisions become and the more likely it is that the entire process must be repeated.

cc: Tim Harris, Chief Engineer
Mark Straub, Area Engineer
Laura Zamora, Area Engineer
Larry Brink, Specifications Engineer
Jim Zufall, Materials and Geotechnical Branch Manager
Joe Elsen, Region 3 East Program Engineer
John Vetterling, Engineering Auditor

STATE OF COLORADO

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DATE: June 5, 2012

TO: Audit Review Committee

FROM: John Vetterling, Interim Audit Director

SUBJECT: Open Audit Recommendation Follow-Up Report

In an effort to follow-up on open audit recommendations, Executive Director Hunt has asked the Audit Division to obtain status updates on all open audit recommendations once per quarter.

The Audit Division followed up on fifty-nine open audit recommendations during the month of May 2012. Of those fifty-nine, eleven recommendations were closed and there were eleven items for which management did not provide an update.

Areas Where Significant Improvement Has Been Made

Significant progress has been made in the Design Build Projects Audit where three recommendations were closed. Three recommendations were also closed from the State Auditor's Motorcycle Operator Safety Audit.

Five Recommendations

In an effort to resolve outstanding audit recommendations, Executive Director Hunt and Process Improvement Director, Gary Vansuch, asked audit to select five outstanding recommendations that they would like to see implemented relatively soon. Mr. Vansuch has offered to help the recommendation managers to ensure these recommendations are implemented. Below are the five recommendations and specific status updates:

1. Update the Local Agency Manual—Local Agency Projects has been identified as one of seven major process improvements by Senior Management. RTD Johnny Olson has been identified as the sponsor for the effort which was initiated in December 2011.

2. Conduct and document annual IT security risk assessment and information security plan.—The plan has not yet been completed because an on-site ISO has not been assigned/hired for CDOT. The hiring is in process.
3. Develop agreement between the CFO and the business offices on financial functions to be performed by the business offices and consequences for failure to perform. –The documentation of SAP Business Procedures has been completed. A guidebook for the business offices was completed by February 29, 2012.
4. The Director of Services Management(DSM) should work with OIT ERP team to ensure the following three function are separated:
 1. Creation and maintenance of authorization profile
 2. Activation of authorization profile
 3. Assignment of SAP privileges to users
5. CDOT and CDPHE staff should coordinate with each other to reach a common understanding on the requirements of the New Development Re-Development program as it is currently defined in the permit and the Drainage Design Manual. For those elements where agreement cannot be achieved, the Executive Director of CDOT should coordinate with the Executive Director of CDPHE and the Governor’s office to obtain an impartial interpretation.

Since recommendation number 3 has been completed, we will be replacing it with the following recommendation: The Chief Engineer should resume the project scheduling, and manpower and staffing assessments that were initiated in 2008.

Quarterly Audit Recommendations Tracking Report

as of May 2012

>5 years							
Agency	"Audit Report #"	"Audit Title"	"Release Date"	"Total # Recom"	"Closed"	"Open"	Rec_Manager
OSA	OSA	Cash and Project Mgmt	2/1/2000	1	0	1	Stein, Ben
CDOT	0602	Bridge Inspection	7/19/2006	1	0	1	Leonard, Mark
>3 years - < 5 years							
Agency	"Audit Report #"	"Audit Title"	"Release Date"	"Total # Recom"	"Closed"	"Open"	Rec_Manager
CDOT	0008	Consultant Selection Follow-up	4/16/2008	1	0	1	Harris, Tim
CDOT		MOST Program	5/6/2008	9	7	2	Various
CDOT	906	SAP Segregation of Duties	8/19/2008	6	4	2	Various
CDOT	0905	Local Agency Contracting Process	12/17/2008	11	6	5	Various
OSA		Performance audit of Aeronautics Division	2/1/2009	31	29	2	Gordon, David
CDOT	0902	Preconstruction Engineering	6/4/2009	7	5	2	Various
>0 years - 3 years							
Agency	"Audit Report #"	"Audit Title"	"Release Date"	"Total # Recom"	"Closed"	"Open"	Rec_Manager
OSA		Information Technology Audit	6/1/2010	14	8	6	Miller, Gregg
CDOT	1011	ITO Governance and Controls after OIT Consolidation	8/18/2010	5	4	1	Miller, Gregg
CDOT	1102	Controls over Duplicate Vendor payments	10/20/2010	4	3	1	Various
CDOT		Fuel card Internal Controls	10/26/2010	6	4	2	Various
CDOT		MS4 New Development and Redevelopment program	2/3/2011	3	0	3	Various
CDOT	AI-1105	Water Quality Consent Decree	4/20/2011	9	5	4	Various
OSA		Motorcycle Operator Safety	9/12/2011	8	5	3	Davis, Glenn
CDOT	AI-1203	Region 1 Business Office Audit	11/16/2011	3	0	3	Various
CDOT	1202	Payment Card Data Security Report Audit	1/18/2012	4	1	3	Various
CDOT	AI-1109	Project Management in the Property Management Section	1/18/2012	10	8	2	Wieder, David
CDOT	AI 1201	Central Files Document Retention	2/22/2012	10	1	9	Various
CDOT	AI-1204	Fuel Reconciliation Audit	4/18/2012	2	0	2	Various
Closed Reports This Follow-Up Period							
Agency	"Audit Report #"	"Audit Title"	"Release Date"	"Total # Recom"	"Closed"	"Open"	Recommendation_Managers
CDOT	1104	Design Build Projects	8/18/2010	3	3	0	McDaniel, Scott
CDOT	0803	Accts Payable Process in SAP	6/18/2008	4	4	0	Various

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DATE: June 6, 2012

TO: Barbara Gold
Director, Audit Division

FROM: Denise Harvey
Manager, Internal Audit Branch

SUBJECT: Internal Audit Branch Activity Report through May 31, 2012

SUBMITTED TO ARC FOR APPROVAL:

Audit Number 1205: Region 4 Historical Clearance Process Audit
Status: Submitted to ARC for Approval

SUBMITTED TO ARC FOR INFORMATION:

Document Retention Update

Audit Tracking Report

Prompt Payment Advisory Memorandum

Finals Process Management Letter

IT Advisory Memorandum

STATUS OF ASSIGNMENTS:

Audit Number 0506: Right of Way Program
Status: Terminated

Audit Number 0901: Contracts
Status: On Hold Pending Consultant Report

Continued on Next Page

STATUS OF ASSIGNMENTS Continued:

Audit Number 1301: Network Security at the Traffic Operations Center Audit
Status: In Progress

Audit Number 1302: Consultant and Contract Employee Audit
Status: In Progress

Project: Audit Hotline
Status: 198 complaints since inception, 182 closed as of 5/31/2012

Project: Continuous Audit Monitoring
Status: In Progress

Project: Audit Recommendation Tracking
Status: In Progress

OTHER ACTIVITIES:

Termination of Audit #0506 Right of Way Program – Lease Revenues

The audit of the Right of Way Program – Lease Revenues was started in 2004 by Auditor George Clifford. Mr. Clifford subsequently retired in 2005, and Audit Director Casey Tighe took over the audit. The Manager of the real estate program retired and in 2006, CDOT went live with SAP. Due to the chain of events listed above, the Right of Way Program – Lease Revenues Audit was still outstanding. The work performed to date, is no longer relevant since the implementation of SAP. We will keep the risks associated with this program in mind when developing next year's audit plan.

Project Programming and Delivery

John Vetterling and Casey Tighe provided a briefing to key members of the Audit Review Committee and senior management regarding the programming and delivery of projects. Over the past 10 years CDOT and been systematically under-programming and under-delivering projects on the order of approximately \$100 million per year, such that the Department now has a cash balance of over \$1.5 billion including the Bridge Enterprise funds. Senior management is developing a process to increase the size of the program and to cash flow projects to a greater degree.

Training

Hong Zhu attended the Rocky Mountain Information Security Conference sponsored by the Information Systems Audit and Control Association.

Denise Harvey attended the Leadership Journey training sponsored by CDOT.

Management Assistance

John Vetterling and Sam Nnuro continued to provide support for the Standing Committee on Efficiency and Accountability.

Other

The Internal Audit Branch has a vacant Auditor IV position. Now that a new Audit Director is on board, we will start the process to fill that vacancy.

STATE OF COLORADO

DEPARTMENT OF TRANSPORTATION

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DATE: June 8, 2012

TO: Audit Review Committee
 Barbara Gold, Division of Audit Director

FROM: Lea Mason, External Audit Branch Manager

SUBJECT: External Audit Branch Activity Report for April-May 2012

We completed the following audits during the months of April and May 2012:

Type	Name of Auditee	Subject Matter	Amount
Review	Castlerock Construction Company	Davis Bacon Wage Compliance	N/A
Non-Audit	Finals Process	Revisions to Construction Manual	N/A
Non-Audit	Contracts and Market Analysis	Prompt Payment on Consultant Contracts	N/A

PROJECTS IN PROCESS:

At the end of May 2012 we have several audits and reviews that are in process. The following projects are in process or have been requested by CDOT Management:

Type	Status	Name of Auditee	Subject Matter	Amount
Review	Report Issued – R6 Settlement pending	Jalisco/ Big Pine	Project C17170 – R6 Cost to complete Pump House	\$ 31,833
Review	Report Issued – R6 Settlement pending	Jalisco/ Big Pine	R6 Project C17170 – CMO’s Additional Costs on Electrical Work Pump House	\$185,983
Audit	Mgr Review	Adams County	Final Cost Audit - Project	\$33,002,700
Audit	Report Issued – Claim Settlement pending	Contract Management Inc. (dba: US Roads)	REA Project C17604	\$221,034
Audit	Field Work	Tezak Heavy Equipment Co, Inc.	Final Cost Audit US 50 in Montrose County Emergency Project	\$3,919,895

Type	Status	Name of Auditee	Subject Matter	Amount
Audit	Exit Process	Peter Web Public Relations Inc.	Public Relations & Development Media Contract #9 Task Orders 1-33	\$1,500,000
Review	Field Work	David Evans & Associates	Consultant Final Cost Review – Project 17539 Bear Creek Bridge	1,014,717
Review	Field Work	David Evans & Associates	Consultant Final Cost Review Project 17536 Platte River Bridge	1,213,535
Review	Field Work	HNTB	Bull Seep Progress Review- Project 18206	1,725,000
Mgt Lt	Field Work	IHC	Value Engineering Change Proposal – Standard Specification 104.07	70,000
Review	Field Work	Bridge Enterprise	Program Delivery	400,000,000
Review	Exit Discussions	Program Delivery	Cash Management	N/A
Review	Field Work	ACS, Inc.	SAP Contract	8,500,000
Audit	Field Work	Moser & Associates Engineering, Inc.	Final Cost Audit Project #18056	800,000
Review	Field Work	Parson Brinkerhoff	Review CPA Indirect Cost Rate Audit	N/A

OTHER ACTIVITIES:

Leadership Journey Seminar

Trent Josten and Lea Mason attended the CDOT sponsored Leadership Conference from May 21st to the 25th. The conference requires the attendee complete the following exams and personality testing.

“Leadership Development Analysis”- In order to provide this analysis the attendee provides at least three staff member; three peers and their supervisor to also complete the survey on the attendee’s behalf. This information is designed to assist the attendee in determining their areas of strength and weakness in; creating vision; developing followership; implementing the vision; follow through; achieving desired result as well as their ability in team play.

“DISC Management Profile”- this profile is designed the identify attendees management style; strength and weakness and assist the attendee in how to effectively communicate with other personalities and leadership styles and approaches.

“EQI BarOn Emotional Maturity Testing”- This test is to help people better understand their emotional and social function related to the attendee’s intrapersonal (self-awareness); intrapersonal skills (social skills); stress management; adaptability and the personal overall optimism and happiness.

At the end for the conference we selected areas of improvement. We developed actions plans to facilitate those improvements. We also scheduled monthly meetings with another attendee in order to assist us in meeting our goals.

Standardized Work Papers

In April the External Audit Branch started an initiative to put together standard work paper programs. During April and May we have completed the standardized work papers for Indirect Cost Rate Review; Sole Source Reviews and Final Cost Audit Reviews/Audits. In addition, there is also a standard set of work papers to use for training materials for these standard work papers in order to provide audit training for new staff members and a guide for work paper constancy for current staff members.

The main objective is to decrease audit planning time; increase productivity and reduce the managers review time.

Other Management Consulting and Assistance

We provided other various consulting and assistance to management, including assistance with contract management issues, review of sole source contract proposals, reviewing OIT's bills for overhead, and assisting with revisions to the specifications related to construction disputes.

During the past two months we have received numerous calls from local agencies and grantees for assistance with computing the fringe benefit rates. In addition, there have been several other agencies that are first time grantees that were in need of assistance in calculating their indirect cost rate. We have spent several hours providing guidance; example presentations and calculations of indirect cost rates. We believe the initial assistance will aid them in providing the need documentation in future years.

Other Non-Audit Service Reports Completed

Type	Name of Auditee	Subject Matter	Amount
Indirect Cost Rate Review	Golden Belt Tour	Fringe Benefit Rate Review	N/A
Indirect Cost Rate Review	Regional Air Quality Council (RAQC)	Indirect Cost Rate Review	N/A
Sole Source Review	HIS Global Insight	CDOT Information Management Branch freight database	\$181,804
Sole Source Review	Microsoft	IT Premier Support Services	\$122,000
Tier Review	East Central Council of Governments	Request for Tier III of Grantee	N/A
Tier Review	City of Durango (dba Durango Transit)	Request for Tier III of Grantee	N/A