

TRANSPORTATION COMMISSION of COLORADO AUDIT REVIEW COMMITTEE

Commissioners Gary Reiff, Les Gruen, Ed Peterson, Bill Thiebaut, Sidney Zink

Meeting Location: CDOT Headquarters Building, Denver, Colorado

All commissioners are welcome to attend.

MEETING AGENDA: February 20, 2014

1. **Call to Order:** (Roll will be noted by the Secretary to the ARC)
2. **Approval of the Minutes of the Last ARC Meeting** Page 2
3. **Status Updates**
 - a. Action Items from October 17, 2013 meeting Verbal
 - b. Outstanding Audit Recommendations Page 6
 - c. FY14 Audit Plan
 - i. Audit Assignments Page 7
 - ii. Audit Work in Progress
 1. Review of CDOT Indirect Cost Rate Page 7
 2. Consultant Indirect Cost Rates Page 8
 3. *Flood Recovery Page 8
 4. Disputes and Claims Page 8
 5. Cognizant Audits Page 8
 - iii. Completed Audit Work Summaries
 1. Sanborn Page 8
 2. DRCOG Page 8
 - iv. *Next Quarter Audit Schedule Verbal
 - d. *Hotline Incident Statistics Page 10
 - e. *Audit Metrics Page 11
4. ***ARC Questions, Requests, Discussion Items**
 - a. Audit Plan Discussion
 - i. Review of PY14 Page 12
 - ii. Proposed Audit Plan for 2015 Page 13
 - iii. Risk Assessment Questions Page 14
 - iv. Audit Definitions Page 15
 - b. Comments/Feedback on ARC Documents and Packet Verbal

This Agenda May Be Altered at the Chair's Discretion

* Those items marked with an asterisk will be presented to the committee.

Colorado Transportation Commission
Audit Review Committee
MEETING MINUTES
October 17, 2013
9:10 A.M. – 10:00 A.M.
CDOT Headquarters Auditorium

COMMISSIONERS PRESENT: Gary Reiff, ARC Chairman, Les Gruen, Ed Peterson, Doug Aden, William Thiebaut, Sidney Zink, Kathleen Gilliland, and Heather Barry.

ALSO PRESENT: Heidi Bimmerle, DoHRA Director; Barbara Gold, Audit Director; Scott Richrath, Chief Financial Officer; Gregg Miller, BPA; Samuel K. Nnuro, Auditor; Naomi Smith, Audit Manager; Gary Vansuch, Director of Process Improvement; Johnny Olson, RTD R4

AND: Other staff members, organization representatives, and the public.

1. Call to Order

ARC Chairman Gruen called the meeting to order on October 17, 2013, at 9:10 A.M. The meeting was held in the Auditorium at the Headquarters of the Colorado Department of Transportation. Roll was noted by the Secretary to the ARC.

2. Election of Chairman and New Members

The presiding Commissioner Les Gruen made a motion to appoint Commissioner Gary Reiff as the Chairman of the Audit Review Committee (ARC). Commissioner Ed Peterson seconded the motion, which was unanimously approved. The newly elected chairman introduced the new members of the ARC.

3. Approval of Minutes of the Last ARC Meeting

ARC Chairman Reiff asked for approval of the meeting minutes for July 18, 2013. Approval of the minutes was moved by Commissioner Aden, and seconded by Commissioner Thiebaut. The minutes were adopted as published in the agenda.

4. Action Item from July 18, 2013 Meeting

Audit Director Barbara Gold provided an update on the action item listed on page 10 of the ARC packet when the Commissioner's convened on July 18, 2013. Currently, the Division is tracking the number of employees' training hours and other traditional metrics measures such as the number of assignments completed. This will enable the Division to build and maintain the right team and develop the right skillsets. Throughout the metrics analysis we will be able to access skill levels and implement additional training to increase auditors' expertise. It will also help the Division to prioritize spending on

training to maximize return on investment and ensure staff is supported in their development of key skills needed to perform their jobs.

1. Audit Report Presentations

A. Outstanding Audit Recommendation

Audit Director Barbara Gold presented the Outstanding Audit Recommendations report. She stated that the Outstanding Audit Recommendations have been moving forward successfully. It involved many individuals from the Senior Management Team (SMT). The charts in the report summarize the outstanding recommendations data. The first graph on page five is the audit recommendations by area within the organization and the status of each recommendation. Commissioner Thiebaut commented on the two outstanding recommendations regarding Federal Highway Administration historical clearance audit statuses. Director Gold explained what it means when a recommendation is noted as in progress status. It means the Audit Division has already met with the SMT member in charge of that particular area, who will be responsible for the implementation of that recommendation. Debra Perkins-Smith, Director of Transportation Development explained that the historical clearance audit was done before her time as a division head, but the audit was about non-compliance with the Programmatic Agreement between CDOT and FHWA. She stated that her division is currently working with the Audit Division to implement those recommendations. Chairman Reiff commented that Barbara and her group have been working really hard to implement all the outstanding recommendations. He asked Director Gold if there is any recommendation she would like to focus on or are all on schedule. Ms. Gold responded that all the recommendations are on schedule.

B. Audit Plan Update and 3rd Quarter Audit Schedule

The Audit Director went through the audit work plan for the Fiscal Year 2014. She stated that the Audit Division will focus more on a risk based approach to auditing. Director Gold explained that it is a requirement of the Audit Division to present its plan to the Commissioners and get an approval each quarter. We also included a list of the various types of audit work and compliance audits that regulatory guidelines require us to complete. The Division will also be conducting three external audits for our sub-consultant to make sure they are in compliance with applicable rules and regulations. She noted that external audits in transportation are not the same as external audits conducted by CPA firms, with our external audits there is no financial opinion issued. Commissioner Sidney Zink asked if CDOT has a financial statement audit performed each year. Director Gold responded that a financial statement audit is completed each year by an external CPA firm. This fiscal year we remain committed to building a strong, value added Audit team that collaborates with management to help them achieve CDOT's objectives.

C. Hotline Incidents

Audit Director Gold provided an update on the CDOT Hotline. Ms. Gold explained the reason for the Hotline to the new Commissioners. She stated that the hotline is designed to allow employees to anonymously report alleged instances of fraud or corruption, non-

compliance with policies/procedures/regulations, safety issues, misuse of CDOT assets and resources, mismanagement, neglect of duty and other areas of concern. The Hotline is operated 24/7 by a third-party vendor. The Hotline allegations are tracked, investigated, action taken and closed. Allegations involving safety have been the most prevalent this year. She mentioned that the Audit Division is working with Darrel Lingk to streamline the amount of calls. The safety calls coming to the Division add a layer of delays to the process.

D. NHI Training Announcement.

Director Gold stated that the Colorado Department of Transportation's Audit Division is proud to announce the hosting of NHI training relative to the AASHTO Audit Guide and FAR requirements during the week of November 4th through November 8th, 2013. She mentioned that the course is particularly suited for practitioners associated with procurement, audit, and the administration of Architectural and Engineering contracts.

E. Flood Recovery

Ms. Gold provided a brief update on the flood recovery. She stated that the Audit Division is working closely with Scott Richrath's group to come up with proper procedures for the flood recovery initiative. Ms. Gold mentioned that on September 23, 2013, her Division held a conference call with the Vermont Department of Transportation CFO, Audit Chief, Accounting Manager, and Grant Manager to discuss the lessons learned from their experience with Hurricane Irene. They provided insight as to Audit's role and the risks they experienced. She mentioned that the Division will be playing the role of a consultant.

F. Review of FASTER Safety Funds.

Barbara Gold, Audit Director, presented the FASTER Audit. Ms. Gold mentioned that a risk based approach to auditing was used to review the controls surrounding the FASTER program. She stated that the Executive Director of CDOT requested that the Audit Division review FASTER safety funds as it related to road safety projects. The overall goal of the examination was to determine whether CDOT is in compliance with the established legislation on eligibility for FASTER funding for road safety. Also, to determine if pre and post-award safety metrics were identified, reported, and provided to Executive Management. Ms. Gold noted that the above findings on page 19 were discussed with CDOT Executive Management. Changes are needed in order to report on how CDOT's FASTER safety funds have improved road safety. The Division will perform a follow-up audit on the framework necessary to establish a control structure that provides timely and useful reports about FASTER safety funds. Ms. Gold outlined the recommendations that should be implemented to remedy the situation:

CDOT Executive Management agreed, conceptually, to the following audit considerations.

- 1) The Executive Director should communicate his request for reports that show how FASTER safety funds have improved safety on Colorado roads.

- 2) The Executive Director should:
 - a. Establish the metric(s) for safety enhancements and improvements (approved by the Transportation Commission) that lead to the reduction of fatalities, injuries and loss of property; and
 - b. Require the development and implementation of a control structure that provides reports containing information on the status of attaining FASTER safety metrics. The reports should be provided to and reviewed by the Executive Director.

Commissioner Reiff commented that going forward it will be a great idea if CDOT could provide a visual dashboard on their ongoing projects and the amount associated with each project, as well as the source of funding. He noted that the report was very informative and educational. He thanks the Director and her staff for a great report.

Adjournment

Chairman Reiff announced that the meeting was adjourned at approximately 10:00 a.m.

Action Items

Report back on Fuel Card Audit
Definition of Cognizant Audit
Disputes over payments

CDOT Audit Division
 Outstanding Audit Recommendations
 as of December 31, 2013

Ref #	Auditor	Recommendation	Area	Planned Implementation Date	Status
1	OSA	1a. Establish written policies and procedures and train staff on this process. 1b. Ensure that regional inspectors are informed of their roles and responsibilities. 1c. Establish a standard process for enforcing federal and state laws and Department regulations when illegal signs are identified. 1d. Ensure that permit holders are in compliance. 1e. Provide training to regional field staff on program laws and regulations.	Chief Engineer	1a-1d April 2014 1e-December 2013	1a-1d Not Due 1e- In Process
2	OSA	2a. Implement a segregation of duties framework over payments. 2b. Seek clarification as to when late fees should be charged and implement rules and policies to apply fees consistently.	Chief Engineer	2a-August 2013 2b-April 2014	2a-Closed 2b-Not Due
3	OSA	3a. Create and use a dedicated roadside advertising fund, or seek statutory change to remove the requirement. 3b. Review the fee schedule for outdoor advertising permit applications and renewals.	Chief Engineer	3a-January 2014 3b-April 2014	3a-Not Due 3b-Not Due
4	OSA	Establish an effective monitoring process for the TODS and LOGO Sign Programs contract.	Chief Engineer	4-Apr-14	Not Due
5	FHWA	Provide training on CDOT's Section 106 procedures at the next Transportation Environmental Workshop.	Chief Engineer	In Progress	In Process
6	CDOT	Update Record Management Procedural Directives for proper record retention.	DTD	Lean Project	In Process
7	CDOT	Scan the web application regularly for SQL injection and XSS threats.	DOHRA-OIT	2014	In Process
8	CDOT	Work with OIT and the Business Process Architect to create policy and procedures for reviewing SAP log data and highlight suspicious transactions or data patterns.	DOHRA-OIT	Jan-14	Not Due
9	CDOT	Work with OIT and review the domain administrator accounts assignment for appropriateness and set up domain subgroup and reassign domain administrators accordingly.	DOHRA-OIT	Jan-14	Not Due
10	CDOT	Work with OIT to ensure segregation of the creation and maintenance of authorization profiles.	DOHRA-OIT	Jan-14	Not Due
11	OSA	Ensure that the disaster recovery plan includes all components required by State Cyber Security Policies.	DOHRA-OIT	2014	Not Due

**TRANSPORTATION COMMISSION of COLORADO
AUDIT REVIEW COMMITTEE**

Audit Plan Year 2014 Update

Audit Assignments

The table below notes the work currently in progress, completed for the period October through December, and completed year-to-date. The table consists of two sections – Internal Audit Work and External Audit Work. Internal and external audit work and the categories listed for each are defined in the Audit Definitions document on page 15.

CDOT Audit Audit Assignments As of December 31, 2013			
Internal Audit Work	In Progress December 31, 2013	Completed October - December	Completed Year-to-Date
Special Requests	2	0	1
Consultations	1	0	1
Audits	4	0	0
Hotline Incidents	30	1	15
Total	37	1	17
External Audit Work			
Disputes and Claims	3	0	1
Cognizant Audits	1	1	1
A-133 Single Audit Reviews	40	190	190
Consultant Selection Reviews	18	18	72
Master Pricing Agreement Reviews	2	4	30
Indirect Cost Rate Reviews	7	1	15
Sole Source Reviews	1	0	3
Total	72	214	312

Additional Information on Selected Audit Assignments

Audit Work in Progress

Special Requests

Review of CDOT Indirect Cost Rate

The Executive Director of CDOT requested the Audit Division to review the indirect costs charged to federally funded projects to determine which employees are charging to the indirect cost pool. This will include a review of policies and procedures for charging labor costs to the indirect cost code and to perform an analysis on the labor ratios of employees charging to indirect, project direct, construction engineering, and Administrative (State Fund) codes. This

TRANSPORTATION COMMISSION of COLORADO
AUDIT REVIEW COMMITTEE

Audit Plan Year 2014 Update

review will be on the data from headquarters and the regions. The expected completion date is January 2014.

Consultant Indirect Cost Rates

The Executive Director requested a list of the top 25 consultant firms CDOT has a contract with and the indirect cost rate for each.

Consultations

Flood Recovery

See page 9 for a summary of the work completed as of December 27, 2013.

Disputes and Claims

A dispute from Region 2 and a dispute and a claim from Region 4 were submitted to the Audit Division and are expected to be completed in January 2014.

Cognizant Audit

We performed a cognizant review of the examination, and supporting work papers, of the indirect cost rate for a local architectural and engineering (A/E) firm in Colorado for the period January 1, 2012 through December 31, 2012. The cognizant review consisted of reviewing the A/E's independent CPA's work papers to support the audited Statement of Indirect Costs. The expected completion date is January 2014.

Completed Audit Work

Cognizant Audits

Sanborn

We performed a cognizant review of the examination, and supporting work papers, of the Indirect Cost Rate for The Sanborn Map Company, Inc., Mapping Division (Sanborn) for the period October 1, 2010 through December 31, 2011. We issued the cognizant letter on December 24, 2013.

Indirect Cost Rate Reviews

DRCOG

We reviewed Denver Regional Council of Governments' (DRCOG) calculation of their 2013 indirect cost allocation rate. We issued an approval letter on October 28, 2013.

STATE OF COLORADO

DEPARTMENT OF TRANSPORTATION



DATE: December 27, 2013
TO: Audit Review Committee Members
FROM: Barb Gold, Audit Director
SUBJECT: Summary of Flood Procedures

Purpose

Our primary objective is to help CDOT maximize its federal reimbursement for eligible flood expenditures, and provide assurance to CDOT Management that the procedures established by CDOT and /or the Incident Command Center are being followed. Our initial approach to achieve this objective is in the capacity of a consulting role – providing our expertise in documenting processes, identifying areas of concern, sample and attribute testing, and reporting our results to CDOT Management.

Action Requested

This is an initial update, no Committee action is requested.

Executive Summary

We determined the following areas to review based on the level of risk of noncompliance and the potential for errors that could decrease our federal reimbursement.

1. General Understanding of the Project – We are conducting a gap analysis of what the reimbursement cycle should be (from the flood event to actual reimbursement) and the current processes in place.
2. Limited Invoice Review – We have begun reviewing a sample of 11 invoices for compliance with attributes necessary for federal reimbursement. This sample represents 80 percent of the first 200 invoices (totaling about \$5 million).
3. Data Management Plan – This contains procedures and requirements management has created and can provide assurance of compliance to maximize reimbursement. We will review the progress of this plan for consistency and completeness.
4. Fraud Procedures – We will follow our current procedures in place to investigate and report incidents of fraud if and when they are reported.
5. Detailed Damage Inspection Report – this document is used to request federal reimbursement. We will review the process currently in place to create these documents.

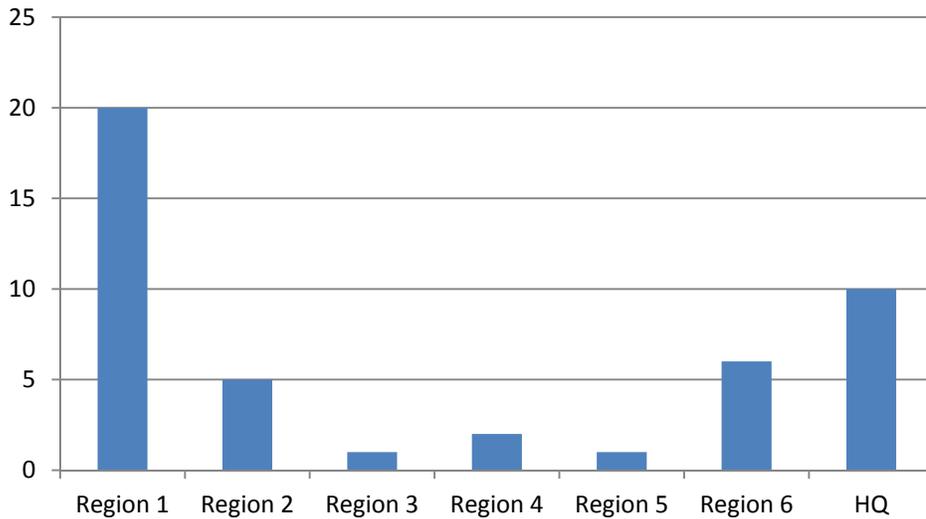
Deliverables

For each of the five items above, we will communicate our analyses, conclusions, recommendations and next steps to CDOT Management via biweekly summary reports, status meeting or memos. We will include a quarterly summary of our procedures in our packet for the Audit Review Committee.

“Taking Care To Get You There”

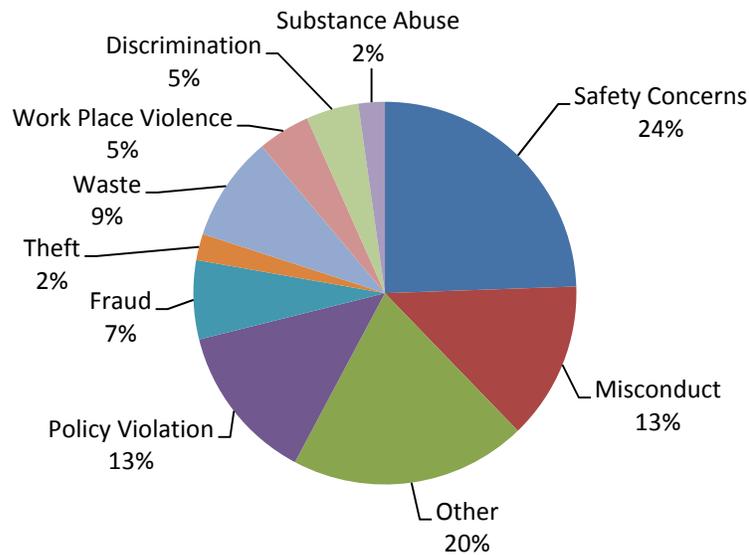
**TRANSPORTATION COMMISSION of COLORADO
AUDIT REVIEW COMMITTEE**

**CDOT Audit Division
Hotline Incidents as Reported by Location
January 2013 through December 2013**



Source: Hotline Data obtained by Audit Division

**CDOT Audit Division
Hotline Incidents by Type
January 2013 through December 2013**



Source: Hotline Data obtained by Audit Division

**TRANSPORTATION COMMISSION of COLORADO
AUDIT REVIEW COMMITTEE**

**Audit Division Performance Metrics
Proposal for Audit Plan Year 2015**

Audit Division Metrics

	Goal	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Mar	YTD
Training Sessions Presented	4					
Department-Wide Communications	1					
Regional visits	6					
Audits Completed	12					
Requests for Audit Services	6					
Report Delivered When Committed	Within 2 weeks					
Add Value Rating	3					
Budget/Actual Audit Hours	75%					

Audit Team Metrics

	Goal	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Mar	YTD
Hours Available for 9 Auditors	18,720					
Audit Hours	11,500					
Training Hours	4,720					
Leave Hours	1600					
Admin Hours	900					

TRANSPORTATION COMMISSION of COLORADO
AUDIT REVIEW COMMITTEE
Audit Plan
As of December 31, 2013

CDOT Audit PY 14 Audit Plan Update As of December 31, 2013			
Internal Audit Work	Phase	Scheduled Completion Date	Actual Completion Date
FASTER Dollars	Complete	August 2013	September 2013
CDOT Indirect Cost Rate	Reporting	August 2013	
Water Quality	Postponed	September 2013*	
Property Controls – Acquisitions and Relocations	Reporting	September 2013	
Property Controls – Leases and Disposals	Fieldwork	September 2013	
Consultant Indirect Cost Rates	Fieldwork	January 2014	
Fraud Policy and Program	Fieldwork	January 2014	
Fuel Cost Audit Follow up	Planning	February 2014	
Scrap Metal	Planning	March 2014	
Consultant Audit Program Revision	Planning	March 2014	
Dispute Program Revision	Not Started	March 2014	
IT Systems and Access Controls	Not Started	May 2014	
RAMP		Not Scheduled	
SAP		Not Scheduled	
Contract vs Employee Status		Not Scheduled	
Procurement		Not Scheduled	
On-boarding employees		Not Scheduled	
Lean Follow-up and Coordination		Not Scheduled	
Contract Compliance		Not Scheduled	
Outstanding Recommendations		Ongoing	Ongoing
Flood Recovery		Ongoing	Ongoing

*This audit was postponed until approval of a new permit.

Note: Shaded items are audit work added since the plan was approved in April 2013.

**TRANSPORTATION COMMISSION of COLORADO
AUDIT REVIEW COMMITTEE**

Proposed Audit Plan for 2015

CDOT Audit Proposed Audit Plan For 2015	
Internal Audit Work	Audit Type
Water Quality	Performance
RAMP	Performance
Contract vs Employee Status	Performance
Procurement Process	Performance
On-Boarding and Off-Boarding of Employees	Performance
Lean Follow-up and Coordination	Performance
Contract Compliance	Performance
Outstanding Recommendations	Performance
Flood Recovery	Performance
External Audit Work	Estimated Number of Assignments
Disputes and Claims	5
Cognizant Audits	1
A-133 Single Audit Reviews	230
Consultant Pre-qualifications	200
Indirect Cost Rate Reviews	30
Sole Source Reviews	5

TRANSPORTATION COMMISSION of COLORADO AUDIT REVIEW COMMITTEE

Risk Assessment Questions

We are changing the way we do things in the Audit Division. One of the areas we are changing is the way we develop our audit plan. We are moving away from a static audit plan that is approved once a year by our Audit Review Committee and reflects the risks we see at a point in time to an audit plan that is assessed and completed quarterly. The new audit plan will reflect the current risks that both the Audit Division and management have identified for that period.

To accomplish this, we will meet with members of the CDOT Senior Management team and FHWA periodically to obtain a better understanding of their business unit. We will obtain an understanding of their concerns, the risks they face, and their control environment. We will also discuss how the Audit Division can add value to their business unit.

It is also critical to solicit feedback from our Audit Review Committee. We have developed some questions we would like you to think about so that we can discuss your areas of concern and audits you would like us to conduct in the coming year.

- 1) What threatens CDOT's ability to be successful?
- 2) What is important to you?
- 3) Are there any programs within CDOT that concern you or that you would like more information on?
- 4) What can the Audit Division provide to help you and CDOT be successful in meeting objectives?
- 5) If you could make one improvement to CDOT what would it be?

TRANSPORTATION COMMISSION of COLORADO

AUDIT REVIEW COMMITTEE

Audit Definitions

Internal Audit Work

Audit work performed on CDOT operations.

Special Requests

- Audit Division performs a review or provides information to management at their request.
- Added Value: Provides CDOT Management with information they may need to assist them in being successful in meeting their business objectives.

Consultations

- Audit Division provides advice on a process, program, system, operation, or any other matter at the request of management.
- Added Value: Provides CDOT Management with advice and assistance in the evaluation of their management control structure. Our recommendations will assist them in being successful in meeting their business objectives.

Audits

- Audit Division provides an assessment of a process, program, system, operation, or any other matter as determined by the Audit Division.
- Includes follow up on outstanding recommendations to determine the disposition of audit recommendations.
- Added Value: Provides CDOT Management with assurances that their controls are working as intended based on high risk areas and updates management on the disposition of recommendations they agreed to implement which are important to attaining their objectives.

Hotline Incidents

- The Audit Division manages the hotline through an application that allows us to maintain a centralized database for documenting the steps taken by the organization to investigate allegations reported via the hotline. The allegations are reviewed and the information is disseminated to the appropriate party such as the supervisor, Human Resources, and the Audit Committee.
- Added Value: Provides the framework and ability for an effective anonymous reporting program. This function provides a proactive approach and engages CDOT employees to promote an ethical workplace and organization and thereby limit liability and loss due to fraud and misconduct in the workplace.

External Audit Work

Audit work performed on entities contracting with CDOT.

Sole Source Reviews

- Requests from CDOT purchasing agents to review sole source procurements greater than \$100,000 for fair and reasonable pricing.
- Added Value: Sole Source requests contain an inherently higher risk. Audit's review of these requests mitigates this risk by providing independent assurance to the

TRANSPORTATION COMMISSION of COLORADO

AUDIT REVIEW COMMITTEE

Audit Definitions

CDOT's Procurement Office that the request pricing is fair and reasonable prior to approval.

Disputes and Claims

- Audit Division reviews disputes between CDOT and the contracted vendor including terms of contract, work performed, and allowable/unallowable costs.
- Dispute and claim details will be provided upon settlement.
- Added Value: Provide CDOT Management with additional support for the quantum of the dispute or claim.

Cognizant Audits

- The Audit Division's objective is to determine that the indirect cost rate of an engineering firm is fair and reasonable and in compliance with federal regulations.
- This audit can be performed by the home state (the State in which the firm's accounting records are kept), a non-home state (a DOT with an interest in the engineering firm), a federal audit agency, or a CPA firm.
- The rate is approved by:
 - The home state conducting an audit of the rate or hiring a CPA firm to audit the rate under their direction.
 - The home state issuing a cognizant letter of concurrence subsequent to a review of the work papers of a CPA firm whom the engineering firm hired to audit the rate.
 - The non-home state issuing a cognizant letter of concurrence subsequent to a review of the work papers of a CPA firm whom the engineering firm hired to audit the rate and the home state accepts the letter.
- Added Value: Provide assurance that the rates submitted are fair and reasonable per Federal Acquisition Regulations. If the rates are not reasonable, Audit provides our determination of recommended reasonable rates.

A-133 Single Audit Reviews

- Entities that receive federal grant monies from CDOT are required to submit, annually, an Audit Compliance Certification Form. The Audit Division reviews the report and form for exceptions on programs impacting CDOT.
- Added Value: Assists CDOT Management in its responsibilities with the provisions of OMB A-133 requirements relative to audit compliance. We also document and follow-up, with the sub-recipient, on any exceptions noted in the audit report which impact CDOT programs.

Consultant New Selection Reviews

- The Audit Division's objective is to determine that the direct labor rates, overhead rates, billing rates, or in the alternative, Fee Schedule Billing Rates are fair and reasonable.
- Added Value: Provide CDOT's Contracts and Agreements Section with assurance that the rates submitted are fair and reasonable per Federal Acquisition Regulations.

TRANSPORTATION COMMISSION of COLORADO AUDIT REVIEW COMMITTEE

Audit Definitions

If the rates are not reasonable, Audit provides our determination of recommended reasonable rates.

Master Pricing Agreement Reviews

- The Audit Division's objective is to determine that the direct labor rates, overhead rates, billing rates, or in the alternative, Fee Schedule Billing Rates are fair and reasonable.
- Added Value: Provide CDOT's Contracts and Agreements Section with assurance that the rates submitted are fair and reasonable per Federal Acquisition Regulations. If the rates are not reasonable, Audit provides our determination of recommended reasonable rates.

Indirect Cost Rate Reviews

- The Audit Division's objective is to determine that the indirect cost rate and fringe rate, as applicable, are fair and reasonable and in compliance with federal regulations for local agencies and non-profit organizations.
- Includes Council of Governments (COGs), Metropolitan Planning Organization (MPOs), local agencies, and non-profit agencies.
- Our reviews have been limited to those requested by the agencies; however, in the upcoming year we will be developing a risk based audit program so that we are proactive at reviewing the rates of these agencies.
- Added Value: Provide assurance that the rates submitted are fair and reasonable per the Code of Federal Regulations. If the rates are not reasonable, Audit provides our determination of recommended reasonable rates.