



**Colorado Transportation Commission  
Audit Review Committee  
MEETING MINUTES  
July 16, 2014  
2:30 P.M. – 3:00 P.M.  
CDOT Headquarters Auditorium**

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**COMMISSIONERS PRESENT:** Gary Reiff, ARC Chairman, Les Gruen, Sidny Zink, and Kathleen Gilliland.

**ALSO PRESENT:** Barbara Gold, Audit Director; Scott Richrath, Chief Financial Officer; Josh Laipply, Chief Engineer; Scott McDaniel; Director Staff Branches; Trent Josten, Audit Supervisor; Daniel Pia, IT Auditor, Lisa Gibson, Program Administrator

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

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**1. Call to Order**

ARC Chairman Reiff called the meeting to order on July 16, 2014, at 2:44 P.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. Approval of Minutes of the Last ARC Meeting**

ARC Chairman Reiff asked for approval of the meeting minutes for April 17, 2014. Approval of the minutes was moved by Commissioner Gruen, and seconded by Commissioner Zink. The minutes were adopted as published in the agenda.

**3. Election of Audit Chair**

It was moved by Commissioner Gruen that Chairman Reiff continues as Chair for another year. Commissioner Zink seconded the nomination. Chairman Reiff was elected for another year as the Chair.

**4. Audit Report Presentations**

**A. *Presentation of the Indirect Rate Audit Findings***

Chairman Reiff asked Barbara Gold to review the Indirect Cost Audit Report. The Indirect Cost Audit was requested by our Executive Director to gain a better understanding of the components of CDOT's indirect cost rate. Barbara explained that Trent Josten was the lead auditor on that and was present to answer specific questions.

Chairman Reiff said he wanted to discuss further inconsistencies related to indirect cost charges. Scott Richrath asked Trent to confirm whether it was a fair statement that indirect cost rates fell to federal guidance and regulations and whether we found any violations of this guidance. Trent stated that federal regulations exist and are vague. They do, however, state that each cost be treated consistently in like circumstances either as a direct or indirect cost. Chair Reiff explained that he was more concerned with how and which employees

charge time to indirect rather than the overall accounting system and the calculation of the indirect cost rate. Scott asked Trent whether there were any large examples of glaring inconsistencies within CDOT. Trent confirmed this and explained a specific example of a variance between two regions charging indirect cost centers ranging from 26 percent to 43 percent was the most significant variance identified, but that other variables need to be considered, such as the number of employees in each region. Scott Richrath admitted to inconsistencies in the past. He feels SAP has helped to greatly reduce those. He pledged to work to reduce them even further. Chairman Reiff agreed that he would like to see the rate become more consistent among job titles and possibly reduced even further. Scott Richrath said the Audit Division did a great job in pointing out that improvements could be made particularly involving inconsistencies surrounding using job classifications of DPA versus using CDOT job classifications.

Commissioner Gruen wondered if we were attempting to hit a moving target. Scott Richrath assured him that there were areas of improvement. Gruen said it is important to refine the process so that everyone is on the same page. Scott Richrath agreed better guidance needs to be given on what bucket employee hours should be charged too, specifically, when it is appropriate to charge to indirect. Josh Laipply stated that he does not want the accounting system to drive the engineering work they do rather, time worked directly on a project should be charged to a project. Commissioner Zink said that she preferred an accurate and realistic look at what was required to charge directly to a project.

Scott Richrath said that he would report back in October regarding the Indirect Rate change on rate as well as methodology. Barbara Gold agreed.

***B. Presentation of the Fuel Card Audit***

Ms. Gold explained that the audit has four phases. Audit is providing on a quarterly basis, a high level overview of the audit results as each phase is completed. Once all phases are completed, a full report will be provided to the Committee. Chair Reiff asked if tighter controls were required for Fuel Cards. Barbara acknowledged that yes, greater control would be beneficial. Scott McDaniel said he feels they do have controls in place and much of it lies in the issues surrounding the reconciliation process. Commissioner Gruen asked if the problems discovered are due to fraud or reconciliation issues. Scott McDaniel feels it is the cumbersome reconciliation and exception process and the difficulty to manage that. Chair Reiff feels that even a very small case of fraud is unacceptable and very damaging.

***C. Consultant Audits***

At Chairman Reiff's request Barbara explained the prequalification process for consultants and ensuring that rates are fair and reasonable. The review of financial data has changed from how it was handled in the past. The consultants have voiced concern regarding the

financial impact that the greater oversight is having on them. Josh Laipply feels that initially prequalification may be hard but in the long run it will save time and is beneficial to the process. Commissioner Zink asked if anything was needed from the Commission related to this topic. Barbara confirmed that it was informative only and will prepare more quantitative information at the October meeting. Chairman Reiff said we needed to learn from other states and keep things open and available to smaller contractors to provide them an opportunity as well. Commissioner Zink agreed as long as everyone lives by the same rules.

***D. Audit Division Charter***

Chair Reiff asked to re-address the charter at the next meeting in October. Commissioner Zink will contact Barbara related to questions about several words in the charter.

***E. Outstanding Recommendations Summary***

Commissioner Gruen liked the updated Outstanding Recommendations Summary and also had questions as to staffing. Barbara said that some guidance related to whether attention should be directed toward internal audits vs consultants. Commissioners Zink & Gilliland said priorities and risk level had to be evaluated to know where to direct attention.

***F. Audit Division Plan***

Ms. Gold asked for approval of changes to the Audit Plan. Commissioner Zink motioned for the changes to be approved. Commissioner Gruen seconded and it passed without opposition.

***G. Outstanding Recommendations***

Ms. Gold went over the Outstanding Recommendations to clarify items requested by the Executive Director. There were several older items on the Outstanding Recommendations list that were questioned by Chairman Reiff. Ms. Gold explained that the FTA recommendations were recently discovered and she will be better prepared to present progress on those at the next meeting.

**1. Other Items**

Scott Richrath thanked Audit for working with their section on the review of the flood.

**2. Adjournment**

Chairman Reiff announced that the meeting was adjourned at 3:28 p.m.

**Action Items**

Update the Audit Plan with approved changes.

Send an electronic copy of the Charter to Commissioner Zink for her review.

## **I. Audit Division Charter**

### **INTRODUCTION:**

Internal auditing is an independent and objective assurance and consulting activity guided by a philosophy of adding value to improve the operations of the Colorado Department of Transportation (CDOT). It assists CDOT in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management, and internal controls.

### **ROLE:**

The Audit Division is an independent appraisal function within CDOT that examines and evaluates agency activities as a service to management, the Audit Review Committee (ARC), and the Transportation Commission (TC).

### **PROFESSIONALISM:**

The Audit Division governs itself by adherence to the Government Accountability Office's guidance of Generally Accepted Government Auditing Standards (GAGAS). This guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

In addition, the Audit Division's activity adheres to CDOT relevant policies and procedures and the Audit Division's audit manual.

### **AUTHORITY:**

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of CDOT records, physical properties, and personnel pertinent to carrying out any engagement. The internal audit activity will also have free and unrestricted access to the ARC.

All Appointing Authorities are responsible for notifying the Audit Division of external audits as soon as notification is received. The Audit Director, or his or her designee, shall be the designated representative on behalf of CDOT concerning external audit engagements and the resulting, if any, written recommendations from all external auditors performing audits on CDOT operations.

### **ORGANIZATION:**

Pursuant to § 43-1-106(12)(e), C.R.S., it is the intent of the General Assembly to shift reporting of, supervision of, and control of the Department's internal auditor to the Commission.

Pursuant to § 43-1-106(12)(c), C.R.S., the Commission shall establish an audit review committee from the Commission membership which shall oversee the operations of the internal auditor and his or her staff.

The Director of the Audit Division will report audit operations to the ARC and administratively (i.e. day to day operations) to the Executive Director.

The ARC will:

- Approve the Audit Division Charter.
- Approve the risk based audit plan.
- Receive communications from the Director of the Audit Division on the internal audit activity's performance relative to its plan and other matters.
- Make appropriate inquiries of management and the Director of the Audit Division to determine whether there is inappropriate scope or resource limitations.

The TC will:

- Provide recommendations to the Executive Director on the appointment and removal of the Director of the Audit Division.

The Director of the Audit Division will communicate and interact directly with the ARC, including in executive sessions when warranted and between ARC meetings as appropriate.

#### **INDEPENDENCE AND OBJECTIVITY:**

The internal audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgment.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Director of the Audit Division will confirm to the ARC, at least annually, the organizational independence of the internal audit activity.

#### **RESPONSIBILITY:**

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:

1. Review Division and Work Unit functions within the Department at appropriate intervals to determine whether they are efficiently and effectively carrying out their functions of planning, organizing, directing, and controlling in accordance with management instructions, policies, and procedures, and in a manner that is in agreement with both department objectives and high standards of administrative practice.
2. Determine the adequacy and effectiveness of the Department's systems of internal accounting and operating controls.
3. Evaluate risk exposure related to achievement of the organization's strategic objectives.
4. Monitor and evaluate governance processes.
5. Monitor and evaluate the effectiveness of the organization's risk management processes.
6. Perform consulting and advisory services related to governance, risk management and control as appropriate for the organization without assuming management responsibility.
7. Review the reliability and integrity of financial information and the means used to identify, measure, classify, and report such information.
8. Review the established systems to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports, and determine whether the organization is in compliance. Suggest policy where appropriate.
9. Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
10. Evaluate the effectiveness and efficiency with which resources are employed, identify opportunities to improve operating performance, and recommend solutions to problems where appropriate.
11. Review operations and programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
12. Coordinate audit efforts with those of auditors outside of the Department as required.

13. Analyze major computer-based systems to determine whether:
  - a. Adequate controls are incorporated in the systems;
  - b. Thorough system testing is performed at appropriate stages;
  - c. System documentation is complete and accurate; and
  - d. The needs of user organizations are met.
14. Review compliance with State and the Department guidelines for ethical conduct and see that the highest standards of personal and government performance are met.
15. Report periodically to the ARC and senior management on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
16. Report to the ARC and senior management significant risk exposures and control issues, including fraud risks, governance issues, audit findings and recommendations and other matters needed or requested by the ARC or senior management.
17. Provide investigative services for the Transportation Commission or CDOT management related to allegations of fraud, waste, abuse, or employee misconduct.
18. Perform External audits on persons/firms entering into contracts with CDOT, as deemed necessary or advisable by the commission.
19. Perform post audits of contracts for completed work as deemed appropriate.
20. Provide audit services in support of requirements external to CDOT as approved by CDOT management or the Transportation Commission.
21. Conduct audits directed and deemed necessary by the executive director.

**AUDIT PLAN:**

At least annually, the Director of the Audit Division will submit to senior management and the ARC an audit plan for review and approval. The audit plan will consist of a work schedule as well as budget and resource requirements for the next performance year. The Director of the Audit Division will communicate the impact of resource limitations and significant interim changes to senior management and the ARC.

The audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management, the Federal Highway Administration, and the ARC. The Director of the Audit Division will review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved audit plan will be communicated to senior management and the ARC through periodic

activity reports.

**REPORTING AND MONITORING:**

A written report will be prepared and issued by the Director of the Audit Division or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the ARC.

The internal audit report will include management’s response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management’s response will include a timetable for anticipated completion of action to be taken and an explanation for any corrective action recommended that will not be implemented. Auditors will evaluate any plans or actions taken to correct reported conditions for satisfactory disposition of audit findings. If the corrective action is considered unsatisfactory, further discussions will be held to achieve acceptable disposition.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All findings will remain open until implemented or otherwise resolved.

**QUALITY ASSURANCE AND IMPROVEMENT PROGRAM:**

The internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity’s conformance with GAGAS. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Director of the Audit Division will communicate to senior management and the ARC on the internal audit activity’s quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least once every three years.

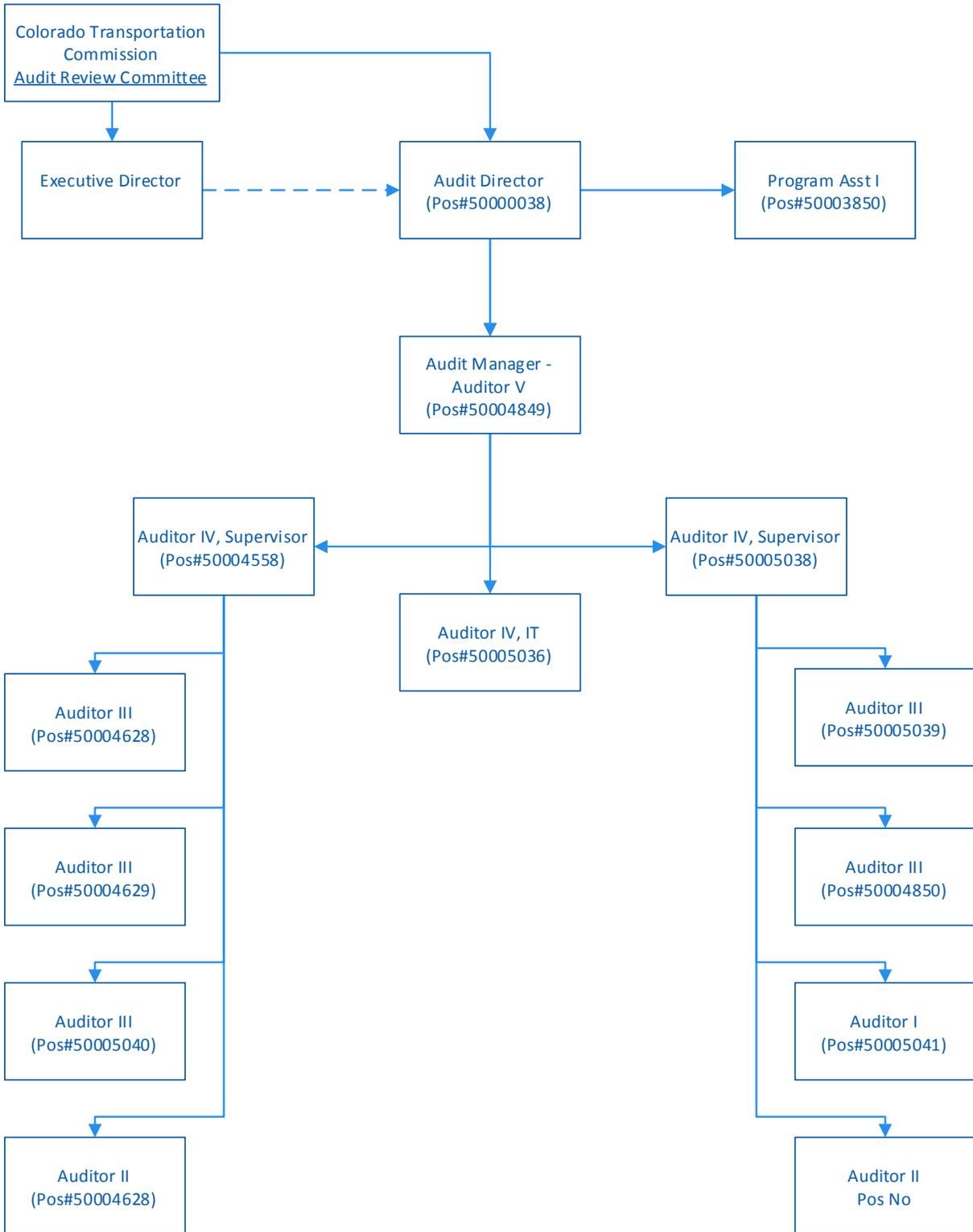
Approved \_\_\_\_\_ Date \_\_\_\_\_

Gary Reiff  
Audit Review Committee Chairman

\_\_\_\_\_ Date \_\_\_\_\_

Barbara J. Gold  
Audit Division Director

## Appendix II. Audit Division Organization Chart



Type	O1 Apr - Jun	O2 Jul - Sep	O3 Oct - Dec	O4 Jan - Mar
<b>Internal Audit Services</b>	Flood		Flood - from Q2 and Q3	FASTER Safety
	Fuel Card Audit - Phase 1	Fuel Card Audit - Phase 2	<i>Fuel Card Audit - Phase 2 &amp; 3</i>	Contracts/Procurement
	Requirements of CDOT Boards	Requirements of CDOT Boards	<i>UrHub</i>	
	CDOT Indirect Rate	WIMS - Division of Aeronautics	<i>WIMS - Division of Aeronautics</i>	
	Fraud	Fraud	Fraud	Fraud
	Special Requests - FASTER DTR	Special Requests - FASTER DTR	Special Requests	Special Requests
	Outstanding Recommendations	Outstanding Recommendations	Outstanding Recommendations	Outstanding Recommendations
<b>External Audit Services</b>	A-133 Reviews	A-133 Reviews	A-133 Reviews	A-133 Reviews
	Disputes and Claims	Disputes and Claims (none)	Disputes and Claims	Disputes and Claims
	Consultant Audits	Consultant Prequalifications	Consultant Prequalifications	Consultant Prequalifications
	Indirect Cost Rate Reviews	Indirect Cost Rate Reviews	Indirect Cost Rate Reviews	Indirect Cost Rate Reviews
	Sole Source Reviews	Sole Source Reviews	Sole Source Reviews	Sole Source Reviews
		Cognizant Audits	Final Cost Audits	Final Cost Audits
<b>Data Analytics</b>	Fuel	Fuel	Fuel	Fuel
		Purchase Analytics	Purchase Analytics	Purchase Analytics
		<i>Indirect Cost/Dollar of Construction</i>	<i>Indirect Cost/Dollar of Construction</i>	Fleet
				Use of Consultants
<b>Advisory Internal Processes</b>	RAMP	RAMP	RAMP	RAMP
	GRC Implementation	Lean Collaboration	Dispute Program	Peer Reviews
	Lean Collaboration	Final Cost Audit Program ( <i>ask gc</i> )	Lean Collaboration	Lean Collaboration
	A-133 Program Revision	<i>Indirect Cost Rate Program</i>	<i>Indirect Cost Rate Program</i>	
	Sole Source Program	Outstanding Recommendations	<i>Outstanding Recommendations</i>	
	Data Analytic Program	Fraud Hotline	<i>Fraud Hotline</i>	
	Peer Reviews	<i>Peer Reviews</i>		
<b>Legend:</b>	<b>Complete</b> <b>In Progress</b> <i>Proposed Changes</i>			

**CDOT Audit Division  
Audit Metrics  
as of September 30, 2014**

	Goal	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Mar	YTD
Audits Completed	9	3	2			5
Requests for Audit Services	6	1	0			1
A-133	230 (*)	1	163			164
Financial Qualifications	150	38	60			98
Other External	29	7	5			12
Internal Audit Processes	9	3	1			4
Data Analytics	8	1	1			2
Regional visits	6	1	1			2
Department-Wide Communications	1	0	0			0
Report Delivered When Committed	Within 2 weeks	1	1			2
Add Value Rating	3 or above	2.75	3.14			3.00
Actual / Budget Audit Hours	+/- 20%	69%	7%			37%

(\*) Revised totals for the A-133 is 286.

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# PERFORMANCE AUDIT WITH COMPLIANCE OBJECTIVES

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**Colorado Department of Transportation**

## **AUDIT DIVISION**

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**Barbara J. Gold, CPA CISA, Director**



**Audit Team:**  
Naomi Smith  
Dawn Olson  
Melissa Canaday

**Performance Audit Area:**

**CDOT Boards and Commissions**

**Report Date: August 29, 2014**

**Audit Report 15-017**

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## **EXECUTIVE SUMMARY - BOARDS AND COMMISSIONS**

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### **Purpose of our Performance Audit with Compliance Objectives:**

The purpose of our performance audit is to determine whether the Colorado Department of Transportation's Boards and Commissions comply with the Colorado Sunshine Law, Part 4 Open Meetings Law.

### **What We Found:**

We found that the CDOT Boards and Commissions encourage openness and transparency and for the most part, comply with the Open Meetings Law. Meetings were advertised, agendas and meeting minutes were posted in compliance with the Colorado Open Meetings Law. We found that some open meetings did not publish minutes, and some Executive Sessions did not follow appropriate protocol. It is not the intent of the Open Meetings Law to punish violators of the provisions. However, if action has been taken that has been determined to be in non-compliance with this law, that action may be determined void by the Courts. Furthermore, if a Court reviews an Executive Session record for statutory compliance and determines the content is not allowable or unlawful decision-making occurred, the Court may make public those portions of the record.

Our performance audit report includes compliance recommendations and best practice recommendations. We have discussed each of these recommendations with management. The intent of each is to add value to CDOT's commission and boards by increasing its transparency with the public.

### **Compliance Recommendations:**

- The Transportation Commission should electronically record the Commission breakfast meetings or revise the corresponding rule, and publish breakfast meeting minutes.
- The Colorado Board of Aeronautics should convene all Executive Sessions during a regular or special meeting, and the written meeting minutes should reflect the topic of the Executive Session.

### **Best Practice Recommendations for CDOT Boards and Commissions:**

- Meeting notices, agendas and minutes should be published to each Board or Commission's website, retained on the website for a minimum of three years, with the website publish date and time recorded and retained.
- Policies regarding retention of electronic recordings of Executive Sessions beyond the 90 day statutory minimum should be reviewed.
- Governance documents, such as bylaws, policies and procedures, should be reviewed and updated for antiquated language.

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## **Boards and Commissions**

### **Background**

The Colorado General Assembly declared that “it is the policy of this state that the formation of public policy is public business and may not be conducted in secret.” The Colorado Open Meetings Law, also known as the Sunshine Law due to its intent to shed light on the activities of government, applies to “state public bodies,” and includes boards and commissions with policy or advisory-making authority. Statute (Section 24-6-401 et seq C.R.S.) establishes the methods by which public meetings are conducted. The law states that meetings of two or more members of any state public body where public business is discussed must be open to the public, where the discussion of public business is the central topic.

The Open Meetings Law covers all Colorado Type 1 boards, committees, commissions, authorities or other advisory, policy-making, rule-making or other formally constituted bodies which have been delegated a governmental decision-making function. Type 1 boards, per 24-1-105 C.R.S. are administered under the supervision of the principle department, independent of the department’s Executive Director. We conducted a performance audit of CDOT Type 1 boards and commissions to determine if they are following statutory guidelines related to public meetings and the Open Meetings Law. CDOT has four Type 1 Boards:

### **Transportation Commission**

CDOT’s Transportation Commission manages Colorado’s transportation system. The Commission is comprised of 11 commissioners who represent specific districts. Commissioners are appointed by the Governor, confirmed by the Senate, and serve a four-year term.

### **High Performance Transportation Enterprise**

The High-Performance Transportation Enterprise (HPTE) was formed to pursue innovative means of more efficiently financing transportation infrastructure projects that accelerate the economic recovery of the state. The HPTE Board is comprised of seven members, four members appointed by the Governor and three members of the Colorado Transportation Commission, serving at the pleasure of the Governor.

### **Colorado Bridge Enterprise**

The General Assembly created the Colorado Bridge Enterprise (CBE) as a government-owned business within the Colorado Department of Transportation, pursuant to statute (Section 43-4-805 C. R.S.) The CBE’s primary objective includes complete bridge projects designated as structurally deficient, functionally obsolete or rated as poor by CDOT. The members of the CBE are the members of the Colorado Transportation Commission, serving four year terms.

### **Colorado Aeronautical Board**

The Colorado Aeronautical Board (CAB) is responsible for aviation development in Colorado. The Board is comprised of seven members, appointed by the Governor, for three-year terms. CDOT’s Aeronautics Division administratively supports the CAB.

### **The following terms are defined in the Colorado Revised Statutes**

- Closed Meeting – That part of a regular or special meeting that is closed to the public, called an Executive Session.

- Executive Session - any session within a regular/special meeting which, upon meeting the statutory guidelines, is closed to the public.
- Meeting – any gathering of two or more board members convened to discuss public business.
- Minutes of an Executive Session – No written minutes are required to be taken of an Executive Session; however an electronic recording of the session is required and is to be retained for a minimum of 90 days.

### **Objective and Scope**

The objective of our performance audit is to determine the compliance of the Transportation Commission, the High Performance Transportation Enterprise, the Colorado Bridge Enterprise and the Colorado Aeronautical Board with the Colorado Open Meetings Law statute. Our performance audit scope focused on board meetings held between January 1, 2013 through April 30, 2014. Our performance audit methodology encompassed interviews, obtaining and reviewing agendas, meeting minutes, publish dates and analyzing/testing for compliance with statute, bylaws, and best practices.

### **Methodology**

We identified and reviewed statutes related to the Colorado Open Meetings Law, as well as related governance documents, such as the Rules and bylaws. We divided our testing into three sections: (1) Agendas/Minutes/External Notifications (2) Executive Sessions (3) Antiquated Governance. We consulted with representatives from the Office of the Attorney General for applicability and what constitutes compliance.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the performance 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.

### **Transportation Commission Meetings**

Colorado’s transportation system is managed by CDOT, under the direction of the Transportation Commission (Commission.) Colorado Revised Statute 43-1-106 created the eleven-member Commission, whose duties include formulating general policy relative to transportation infrastructure and promulgating and adopting CDOT’s budgets and programs. Based on Colorado’s Open Meeting Law and consultations with CDOT’s representatives from the Attorney General’s Office, we determined that the Transportation Commission Meetings (the Commission Meeting) begins with the first workshop (Ad Hoc and Standing Committee) on day one, and ends with the adjournment of the regular meeting on day two. The Commission is required by statute to hold no less than eight meetings per year, with the regular Commission meeting being held on the third Thursday of each month. Not only did the Commission comply with this requirement, they went above the statutory requirement and created Ad Hoc and Standing Committees to address specific and general needs. The Ad Hoc and Standing Committee meetings begin the day prior to the Regular Commission meeting.

We found no exceptions with the statutory requirements for Commission agendas, meeting notices, and Executive Sessions. We also reviewed the Commission Meetings for compliance with statute (Section 24-6-401/402 C.R.S.), Open Meetings Law, and 2 CCR 601-11, Rules Governing Practice and Procedures of the Transportation Commission of Colorado. It should be noted that these rules are adopted by the Commission themselves, may be amended, and are generally meant to provide more specificity to how the Commission functions than does the statute.

### **Transportation Commission Meeting Minutes and Recordings**

The Transportation Commission Meeting, as noted previously, consists of several meetings over two consecutive days. Statutes and rules stipulate when minutes must be taken, when minutes must be recorded electronically, how long minutes should be retained and specific details required to be recorded about attendees. These requirements are summarized below:

- Statute ( 24-6-402 (2)(d)(I) C.R.S.) - minutes of any meeting of a state public body shall be taken and promptly recorded
- 2 CCR 601-11 8.01- meetings of the Commission shall be electronically recorded. The audio files shall be kept permanently by the Secretary.
- 2 CCR 601-11 8.02- the Secretary shall make and maintain minutes of all Commission meetings. Minutes shall be written in the order in which the issues were considered at the meeting, shall be prepared promptly, and shall be open to public inspection. Minutes of each meeting shall state, by name, the Commissioners that are present and absent as well as Department executive management that are present.

We requested and reviewed Commission minutes and electronic recordings for compliance and we found that not all workshop meetings have a written summary of the meeting (as required by statute), and the Commission breakfast meetings have neither a written summary (as required by statute) nor are they electronically recorded (as required by rule). Compliance with the above statute and rules regarding open meetings allows citizens greater opportunity to become fully informed on public issues.

### **Compliance Recommendation No. 1**

In order to comply with the above, we recommend that the Commission:

- a. Electronically record Commission breakfast meetings, or revise the rules to align with statute.
- b. Publish a written meeting summary as required by statute.

**Management Response:** Agree. Transportation Commission Secretary proposes to change the Commission rules to delete the requirement that all Commission meetings be electronically recorded. This requirement in rule exceeds statutory requirements. Commission Secretary also agrees a brief written meeting summary of the breakfast meetings is appropriate.

**Person Responsible for Implementation:** Secretary of the Transportation Commission

**Implementation Date:** Begin revising rules in FY2015, and begin brief meeting summary of breakfast meetings in October.

## **Transportation Commission External Notification List**

The Open Meetings Law (Section 24-6-402 (7) C.R.S.), states that the secretary or clerk of each state public body shall maintain a list of persons who, within the previous two years, have requested notification of meetings or of meetings when specified policies will be discussed and shall provide reasonable advance notification of such meetings. During our performance audit we reviewed the external notification lists and supporting documentation available for the period of January 2013 – April 2014 for these requests. Based upon our testing, we found that five requests for meeting notifications had not been sent. We discussed this with the Commission Liaison and CDOT management acknowledged the importance of informing citizens who have requested notification of meetings and implemented the following compliance recommendation during the course of our performance audit.

### **Compliance Recommendation No. 2**

We recommend the Commission ensure that meeting notifications to requested parties be sent in a timely manner.

**Management Response:** Agree.

**Implementation Date:** July 2014

## **Executive Sessions - Retention of Electronic Recordings**

Electronic recordings of Executive Sessions could be subject to the Open Records Act, if a Court determines the meeting was not in compliance with the Open Meetings Law. In support of this, statute requires that electronic recordings of Executive Sessions are to be retained for a minimum of 90 days after the date of the Executive Session. If a judge determines the Executive Session was in non-compliance with the Open Meetings Law, the recording, if it exists, is required to be given to the judge. This submission is required even if the recording is older than 90 days. The judge may then make such records public.

The 90 day retention requirement allows a reasonable time for review when noncompliance concerns are raised. At the time of our performance audit, we found that the Commission's current practice is to retain electronic recordings of Executive Sessions longer than statute requires.

### **Best Practice Recommendation No. 1**

As a best practice we recommend that the Commission review retaining electronic recordings of Executive Sessions longer than the 90 day statutory minimum.

**Management Response:** Agree. Transportation Commission Secretary proposes to amend Commission Rules to reflect the 90 day statutory minimum for retention of Executive Session recordings.

**Person Responsible for Implementation:** Secretary of the Transportation Commission

**Implementation Date:** Begin revising rules in FY2015.

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## High Performance Transportation Enterprise (HPTE)

HPTE was created in 2009 with the passage of the Funding Advancement for Surface Transportation and Economic Recovery Act (FASTER) in order to pursue P3s and other creative financing mechanisms. The law created an HPTE Board of Directors, comprised of three members of the Transportation Commission and four members appointed by the Governor.

We reviewed the HPTE meetings for compliance with statute (Section 24-6-401/402 C.R.S.) Open Meetings Law, as well as with the HPTE by-laws. We found that the HPTE complies with the statutory requirements for:

- Holding regular board meetings at least eight times per year
- Posting meeting agendas with full and timely notice
- Recording and publishing meeting minutes promptly
- Maintaining and notifying all external parties of meeting notifications
- Conducting Executive Sessions.

We also tested the dates and times that the agendas and minutes of the HPTE meetings were published to the website to determine the timely notice of agendas and published minutes. This testwork included reviewing an intricate trail of internal emails from the HPTE secretary to the CDOT webmaster in order to trace the events and to document compliance. We did not identify any exceptions. However, if a document is reloaded to replace an agenda notice or meeting minutes, the internal software overwrites the publishing information incorrectly. Inadequate published data may lead to a perception of non-compliance with timeliness. As a result, we recommend the following best practice.

### Best Practice Recommendation No. 2

We recommend as a best practice that HPTE determine a method to document the date and time each document is uploaded and published to the website in order to document compliance.

**Management Response:** Agree

**Person Responsible for Implementation:** Director of HPTE and the Program Assistant

**Implementation Date:** No later than December 31, 2014

### Antiquated Language

During our performance audit, we found in HPTE's bylaws references to calling a Special Meeting, in an emergency, "by telephone or telegraph". Governance documents should contain up-to-date guidance for the management of the activities and conduct of the Board. Outdated bylaws can cause actions taken by the Board to be considered non-compliant. Therefore, we have the following best practice recommendation.

### Best Practice Recommendation No. 3

We recommend, as a best practice That HPTE review their governance documents to ensure proper and current guidance.

**Management Response:** Agree

**Person Responsible for Implementation:** Director of HPTE and the Program Assistant

**Implementation Date:** No later than December 31, 2014

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### Colorado Bridge Enterprise (CBE)

The Colorado Bridge Enterprise, similar to HPTE was also created by FASTER legislation. The CBE, whose purpose is to repair/replace bridges, is governed by a Board comprised of 11 members, all Transportation Commissioners. CBE's bylaws require its Board to meet not less than eight times per year. We reviewed the CBE meetings for compliance with the Open Meetings Law, as well as with the CBE by laws. We found that the CBE complies with the statutory requirements for:

- posting meeting agendas with full and timely notice,
- recording and publishing meeting minutes promptly,
- maintaining and notifying all external parties of meeting notifications,
- conducting Executive Sessions,
- publishing agendas and meeting packets (on the Commission website)

One area we found where CBE can benefit from is improving the consistency in which they publish meeting agendas and meeting minutes to the CBE website. We found that the website has a link for these documents however the documents had not been posted to the site during our review period. We learned that the Commission Liaison position had taken over the posting of documents several months ago, and was not aware that the CBE documents had been posted to the CBE website previously until discussed in this performance audit. The benefit of keeping documents current on the CBE website is that the public can easily stay informed and be involved without having to search for documents. Management implemented this recommendation during the course of our performance audit.

### Best Practice Recommendation No. 4

As a best practice recommendation, the CBE should upload/publish agendas and meeting minutes of the CBE Board to the CBE website in a timely manner.

**Management Response:** After becoming aware of this requirement, effective with the July 2014 Colorado Bridge Enterprise meeting, the Commission Liaison began posting CBE materials to the CBE website.

**Implementation Date:** July 2014

### **Antiquated Language**

As with HPTE, the CBE bylaws refer to calling a Special Meeting, in an emergency, by “telephone or telegraph”. Governance documents should contain up-to-date guidance for the management of the activities and conduct of the Board. Outdated bylaws can cause actions taken by the Board to be considered non-compliant.

#### **Best Practice Recommendation No. 5**

We recommend, as a best practice that the CBE review their governance documents to ensure proper and current guidance.

**Management Response:** Agree

**Person Responsible for Implementation:** Secretary of the Transportation Commission

**Implementation Date:** November 2014

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### **Colorado Aeronautical Board (CAB)**

The seven member Colorado Aeronautical Board was created by statute to develop aviation in Colorado. According to the CAB Policy & Procedure Manual, the Board will generally hold six regular meetings, with additional meetings as scheduled, to be held in accordance with the Colorado Open Meetings law.

### **Agendas**

We found that the CAB meeting notices and agendas are posted on the CAB website, the Division of Aeronautics front door as well as at the meeting location. This practice is in compliance with the Open Meetings Law. After the meetings are held, CAB removes these postings from the web site. As a result we were unable to test whether or not meeting notices and meeting agendas were posted timely. Although not required by statute, by retaining these postings on the Division’s website there is historical documentation of compliance.

#### **Best Practice Recommendation No. 6**

We recommend, as a best practice, that the CAB publish meeting notices, meeting agendas and meeting minutes on the CAB website and retain the notices on the website for a minimum of three calendar years, plus the current calendar year.

**Management Response:** Agree

**Person Responsible for Implementation:** Director of Aeronautics

**Implementation Date:** September 2014

## **Executive Sessions**

The Open Meetings Law requires that an Executive Session be convened only within a regular or special meeting. In addition, there are specific requirements for opening Executive Sessions. These requirements include: stating the citation and topic, and then proceeding after receiving an affirmation of two thirds of the membership. As a result of our performance audit work, we identified that CAB, albeit acting in good faith that it was in full compliance with the law, convened multiple closed session meetings that were not procedurally held in accordance with the statute. The Aeronautics Division holds stand-alone deliberative work session meetings which are closed to the public – similar to Executive Sessions. However, CAB initially interpreted this statute as a requirement for the topic being discussed rather than requirements that establish a closed or Executive Session. Here too, the CAB acted in the good faith belief that it conducted all such sessions in full compliance with the law. If the public believes Executive Sessions were not held in compliance with the open meetings law they can be challenged in court against the open records act.

We discussed both issues with the Director of Aeronautics and he presented them to the CAB. The CAB agreed with our recommendations and has implemented them.

### **Compliance Recommendation No. 3**

We recommend that the CAB:

- (a) Ensure that all anticipated Executive Sessions are held within a regular or special meeting and noticed on a timely posted agenda
- (b) That the written meeting minutes reflect the roll call of the regular/special meeting as well as the topic of the Executive Session.

**Management Response:** Agree

**Person Responsible for Implementation:** Director of Aeronautics

**Implementation Date:** September 2014

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We would like to thank the Secretary of the Transportation Commission and the Directors of the High Performance Transportation Enterprise, the Colorado Bridge Enterprise and the Colorado Division of Aeronautics for their cooperation and for providing us an understanding of CDOT's Boards and Commissions.

Approved:   
Barbara J. Gold, CPA, CISA, Audit Division Director

**CDOT Audit Division**  
**Boards and Commissions Performance Audit**  
**Summary of Compliance**  
**As of July 31, 2014**

	<b>TC</b>	<b>HPTE</b>	<b>CBE</b>	<b>CAB</b>
<b>Agenda's / Minutes / External Notifications</b>				
Timely Notice of Agenda / CRS 24-6-402(2)(a), (c) <ul style="list-style-type: none"> <li>• Full and Timely Notice Posted</li> <li>• Within a Reasonable Time</li> <li>• Prior to the Meeting</li> </ul>	In Compliance	In Compliance	In Compliance	In Compliance
Public Meetings of two or more shall record and publish minutes CRS 24-6-402(2)(c) <ul style="list-style-type: none"> <li>• Minutes must be taken</li> <li>• Open to public inspection</li> </ul>	Rec # 1	In Compliance	In Compliance	In Compliance
Meeting Minutes shall be published promptly / CRS 24-6-402 (2)(d)(I) <ul style="list-style-type: none"> <li>• Promptly recorded</li> </ul>	In Compliance	In Compliance	In Compliance	In Compliance
External Notification List / CRS 24-6-402 (7) <ul style="list-style-type: none"> <li>• Must maintain a list of persons who request to be notified of meetings or discussions on specific topics</li> <li>• Provide list members reasonable advance notice.</li> <li>• A request covers a 2-year period.</li> </ul>	Rec # 2	In Compliance	In Compliance	In Compliance
<b>Executive Session Requirements</b>				
Executive Session only during Regular or Special meeting CRS 24-6-402 (3) (a)	In Compliance	In Compliance	In Compliance	Rec # 3
Executive Session requirements (announcement, citation, vote, topic) 24-6-402 (3) (a); 24-6-402 (3) (a) (I), (II), (III), (IV), (V) Requires: <ul style="list-style-type: none"> <li>• Announcement to the public of the Topic for discussion</li> <li>• Citation to authorizing law</li> <li>• A 2/3 vote to go into Executive session</li> </ul> Limited to: <ul style="list-style-type: none"> <li>• Discussion of purchase of property or sale at competitive bidding if premature disclosure would give an unfair competitive or bargaining advantage</li> <li>• To determine positions in negotiations with employees or employee organizations, develop strategy or receive reports and instruct negotiators</li> <li>• Matters which state or federal law require be kept confidential</li> <li>• Security arrangements</li> <li>• To receive legal advice from an attorney on specific legal questions</li> <li>• Personnel related discussions of public officials or employees, only if the employee or public official requests an Executive session.</li> </ul>	In Compliance	In Compliance	In Compliance	In Compliance
Executive Session topic must be published in meeting minutes CRS 24-6-402 (2) (d) (I)	In Compliance	In Compliance	In Compliance	Rec # 3
Executive Session electronic recording must be retained for a minimum of 90 days CRS 24-6-402d.5 (E)	In Compliance	In Compliance	In Compliance	In Compliance

Appendix A

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# REPORT OF REVIEW

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**Colorado Department of Transportation**

## **AUDIT DIVISION**

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**Barbara J. Gold, CPA, CISA, Director**



**Audit Team**

**Naomi Smith  
Trent Josten  
Daniel Pia  
Liz Meyers**

**AREA OF REVIEW:**

**FASTER DTR**

**Report Date: July 15, 2014**

**Audit No: 15-003**

## FASTER DTR

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### **Background:**

We conducted a review for the Division of Transit and Rail (DTR) at the request of its Division Director. The Division Director sought a report that demonstrated how the FASTER dollars were awarded, the status of projects (completed, modified, and/or withdrawn), as well as the balance of funds not used.

### **Objective and Scope**

Part of the Division Director's objectives for our review included the Division becoming more accountable; demonstrating good stewardship of FASTER Transit funds; and the ability to produce reports that show how FASTER Transit construction dollars were spent. Based on this we limited our scope to the DTR FASTER Transit Program operations from March 2009 to June 2014.

### **Methodology**

Our review included the use of Risk Based Integrated Auditing techniques by engaging a consultant. This methodology begins with a review of general controls such as stability of staff, defined team objectives, adequate training and documented policies and procedures.

### **FASTER Transit Reporting**

We requested from DTR, reports used to monitor the FASTER program. We identified five different reports that DTR developed. Each of these reports were individual efforts by different DTR staff and primarily track project awards. As noted below, each of these reports have a different purpose and were not intended to track the lifecycle of DTR FASTER projects. The first report, the Budget Summary, is provided by the business office. It is not included in the table below however; we reviewed this report and found that some of the data included in the report does not reconcile to source data. The remaining four reports and purposes are:

- **Business Office** report tracks each step taken to set up and budget the DTR-managed projects
- **DTR Planning** report lists FASTER projects in an effort to determine how funding was distributed among minority and disabled communities
- **FASTER Projects** report was developed for the Policy Office, which was developing a list of all FASTER projects and a report on the progress of the overall FASTER program
- **Master List** was developed to show all FASTER awards, allocations and current status

We reviewed the above reports and identified the following concerns:

- Each report has a different number of projects.
- The reports were created as separate efforts without coordination.
- Three of the four reports lacked SAP data to show amounts budgeted, spent and encumbered.
- Three of the four Reports were missing project numbers.
- None of the reports listed below total to the \$75 million allocated over the previous five years.

Based on the five reports available at the time of our audit, DTR did not have a system in place to track the entire lifecycle of projects including revenues collected, projects awarded, projects

**FASTER DTR**

budgeted, amount spent on each project, amounts encumbered and projects closed out. The chart below summarizes these concerns:

**FASTER DTR - Statewide and Local - Project Status as of 6/26/2014**

Report's Name	Number of Projects	Projects with project numbers	Projects Without project numbers	Duplicate Project Numbers	Source Data	Awarded Amount
Business Office	162	128	33	1	Contracts	\$44,633,963.00
DTR Planning	236	166	50	20	TC award List	\$85,496,753.00
FASTER projects	138	138	0	0	SAP	\$39,789,298.27
Master List	208	122	76	10	Award / SAP	\$76,238,841.00

Source: Audit Division Analysis of DTR Reports

We generated a separate independent report using multiple transaction codes from SAP. One transaction code provided summary level information of projects by fiscal year. The second provided project numbers and the third provided the detailed information related to each grant. We also generated a report using DTR cost centers to show amounts expended on DTR administrative costs and amounts budgeted for the inter-regional bus program. By combining specific information from these transaction codes, we created a report with the following information:

**FASTER DTR - Statewide and Local - Project Status as of 6/26/2014**

Type of Report	Budget \$	Spent \$	Encumber \$	Balance \$
Projects	\$49,068,923	\$22,773,901	\$22,889,543	\$3,405,479
Admin. Costs and Inter-regional Bus	\$12,022,201	\$3,129,331	\$8,892,870	\$ -
Total	\$61,091,124	\$25,903,232	\$31,782,413	\$3,405,479

Source: Audit Division Analysis of SAP

We provided DTR with the information needed to generate the above report. However, we were unable to give assurance as to the accuracy of the data in the report we generated because we did not audit the information. In addition as the chart above shows, the SAP reports we generated do not total to the \$75 million allocated over the previous five years. In order to reconcile to the \$75 million allocation DTR needs to research the revenue allocation method. DTR will need this data to adequately monitor funds of Statewide and Local FASTER Transit projects from Award to final project close out.

Policies and procedures that establish a system for tracking projects including how to generate reports and reconcile amounts are necessary in order to adequately monitor FASTER Transit awards. DTR is currently developing policies and procedures, but have not started on procedures related to tracking the status of projects. By implementing a process to track projects from award to final close out, management will be able to identify:

- Projects not getting started
- Projects not being completed timely
- Projects being withdrawn

## **FASTER DTR**

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- Project savings that can be applied to new projects
- Ineffective cash management

The DTR Director is aware of the need to develop reports that demonstrate how FASTER dollars were awarded, the status of projects, as well as the balance of funds not used. He is also aware of the benefits these reports can provide to the DTR program and because of this he requested our review. In order to accomplish and generate these reports, policies and procedures need to be established related to the development of reports. During our audit, the DTR Director agreed with this and added that his team is already making progress in this area.

### **Reporting Recommendation:**

The DTR Director should develop, implement and enforce policies and procedures related to tracking FASTER Transit projects. These procedures need to include a process that will guide DTR staff on how to obtain this information and reconcile to verify accuracy and completeness. At a minimum, the procedures should:

- Define who is responsible for pulling the data and how often it is pulled.
- Train staff on how to pull the needed data.
- Define who is responsible for reviewing the report.

### **Management Response: (Agree, Disagree, Partially Agree)**

Agree. The Transit Section has made significant progress in this area, and has begun the process to fully document the overriding policies and specific procedures, including staff assignments to insure full coverage. The management team is fully staffed now, and the development/implementation of COTRAMS has helped to guide and organize this effort. An essential part of the recommendation that needs to be better integrated is the procedures to "reconcile and verify accuracy and completeness". The analysis prepared by the Audit Team has been helpful, however, explainable gaps still exist with FASTER Transit funds that went to Regional "pools" for awarded projects that have not been budgeted; past years totals in this category have been "swept" back for reallocation. The Business Office is currently conducting this analysis. Discrepancies also exist in the table of conflicting reports. For example; (1) the TC Award List totals \$67,926,213 with the remainder going to administration and FRA grant matching. The \$42,857,133 likely represents the TC awarded projects for the Statewide Funds (Local Funds unaccounted for). (2) Similarly, the Business Office reports only consider statewide funds, not local funds.

Please refer to appendix A for specific details on the proposed action plan (responsible parties and completion dates) provided by the Division of Transit & Rail.

### **Implementation Date:**

Appendix A provides specific details on the proposed action plan beginning September 30, 2014 and completed June 30, 2015.

### **FASTER Transit General Controls:**

General Controls are the processes management puts into place to ensure that the business objectives of the organization are met. General controls are necessary to assure controls are working over time. Without general controls, management can only assure whether controls are working on the specific day they are reviewed. These controls include:

## FASTER DTR

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- Stability of staff within the overall team structure of DTR;
- Clear team objectives at the staff level;
- Adequate training for staff; and
- Documented policies and procedures

After several discussions with the DTR Director and staff, we found that weak general controls caused the issues identified with reporting and tracking FASTER Transit Funds. During the course of our review, we learned of a Transit Program Controls Workshop for DTR conducted in September 2013 by an outside consultant. The consultant identified similar issues with the general controls and provided an action plan. Shortly after this workshop, the DTR Director hired a new Transit Grants Unit Manager who has a good understanding of the general control issues. However, his staff has limited experience and tasked with multiple high priority projects. As a result, only issues that become an emergency status are addressed. This approach does not address the urgency of general controls -- the purpose of which is to ensure that business objectives are consistently met over time.

DTR stated it will utilize COTRAMS, a customized software package that will address reporting concerns previously stated. We have the following concerns with COTRAMS:

- The completion date for the interface with SAP has not yet been established
- Duplication of effort to enter data into SAP and COTRAMS
- Procedures will have to be developed to determine accuracy and completeness of data in SAP and COTRAMS
- No formal reconciliation process of the two systems designed
- No validation of COTRAMS benefits planned (current issues may continue)

The DTR Director acknowledges the importance of and need to improve general controls for the Division. Establishing general controls requires management to prioritize task in a way that supports the overall Division objectives. These objectives, as noted previously in our report, include the Division becoming more accountable; demonstrating good stewardship of FASTER Transit funds; and the ability to produce reports that show how FASTER Transit construction dollars were spent. Effective general controls will help the Division to meet these objectives and will improve the Division over the long term.

### **General Control Recommendation**

We recommend that the DTR Director re-prioritize current tasks and include as its top priority to address the general control issues.

1. Update and review with staff, roles and responsibilities at all levels including an overview of how each role rolls up into the overall organizations' deliverables and setting expectations for each position.
2. Solidify, standardize, document and communicated procedures for basic processes.
3. Provide adequate training to staff at a minimum for generating SAP data and reconciling.

## FASTER DTR

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### **Management Response: (Agree, Disagree, Partially Agree)**

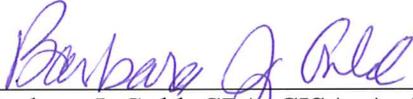
Agree. Much of this recommendation coincides with the Reporting Recommendation. As stated above, the Transit Section has made significant progress in this area, and has begun the process to fully document the overriding policies and specific procedures, including staff assignments to insure full coverage. The management team is fully staffed now, and the development/implementation of COTRAMS has helped to guide and organize this effort. One important clarification to the Audit Report is that the interface between SAP and COTRAMS (the SAP Bridge) is included in the next phase of COTRAMS development, and the scope for this phase is currently being negotiated with the consultant. COTRAMS is a Salesforce platform module, and Salesforce is being utilized by other CDOT Divisions with grant programs; Aeronautics, Safety and Transportation Development. All of these efforts have a similar need to interface with SAP, and will occur.

Please refer to appendix A for specific details on the proposed action plan (responsible parties and completion dates) provided by the Division of Transit & Rail.

### **Implementation Date:**

Appendix A provides specific details on the proposed action plan beginning September 30, 2014 and completed June 30, 2015.

We would like to thank DTR Director and his team, for their cooperation and for providing us with an understanding on the different DTR aspects.

Approved:   
Barbara J. Gold, CPA, CISA, Audit Division Director

# APPENDIX

# Appendix A

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**COLORADO**  
Department of Transportation  
Division of Transit & Rail

4201 East Arkansas Avenue, Room 227  
Denver, CO 80222

DATE: August 8, 2014

TO: Mark Imhoff

FROM: Tom Mauser

SUBJ: Implementation Plan in Response to FASTER Audit Report

In response to the Audit Division's Report of Review (Audit No. 15-003) for FASTER DTR, I think it is important for me to outline for you an implementation plan that offers more details on the tasks, timelines and policies and procedures we will develop to ensure we meet our deadlines and have controls in place to better manage the FASTER Transit program. These steps relate to both the Reporting Recommendation and the General Control Recommendation. I will be responsible for overseeing the work and ensuring completion.

1. We need to name a FASTER Transit Fiscal Pool Manager who will be responsible for better managing and monitoring the flow of the FASTER funds and the flow of the information/ data, coordinating with HQ/Regions business managers and planners on funding transfer and project readiness, monitoring and approving STIP actions, providing direction to project managers in project creation, generating regular financial reports on the status of FASTER funds, and recommending and implementing general controls. The Pool Manager role will closely mirror the role that Qing Lin plays with the FTA grants. For that reason, I have named Qing as the Pool Manager for the FASTER funds. She will obtain additional training and guidance from the Business Office and Audit Office, as well as from the Pool Manager for the FASTER safety funds. Responsible party: Tom Mauser. Due: Qing Lin named Pool Manager August 7, expected to be trained and functional in that role no later than September 30, 2014.
2. The Business Office will complete its current analysis of the "gaps" that exist within financial records of the FASTER Transit program and provide the results to the Pool Manager and myself. The Pool Manager will then develop an auditable report that accounts for all FASTER funds administered thus far by DTR, from FY10 through FY14. The Pool Manager will also develop an analysis that includes descriptions of what made it difficult to identify gaps and recommendations on steps needed to prevent such gaps from occurring again. This analysis will provide DTR with a base report upon which to



## Appendix A

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- build all future reporting on FASTER Transit funds. Responsible party: Qing Lin. Due: December 31, 2014
3. While developing that analysis, DTR will conduct discussions with the appropriate parties involved in the FASTER process (e.g., Regions, Accounting, Business Office, OFMB, SAP staff) regarding steps that may be needed to implement improvements in the financial and programming systems. Findings and recommendations will be presented to the participating parties. Among the major focus areas expected will be the need to have uniformity in the creation of WBS numbers and consistency in the naming of projects to ensure projects can be easily segregated as FASTER Transit projects. Responsible party: Qing Lin for the analysis and recommendations; Tom Mauser for presenting findings and recommendations to the participating parties. Due: Findings and recommendations by December 31, 2014; presented to participating parties by January 15, 2015.
  4. On a quarterly basis the Pool Manager will conduct a review and reconciliation of all FASTER Transit funds, building upon all new transactions added to the base report mentioned above. This effort will include project funding tracking to ensure that all FASTER funds are correctly budgeted to projects and accounted for from budgeting to contracting to project closeout to debudgeting. A major focus area will be closely monitoring projects with the goal of reducing the need for the transfer (“sweeping”) of uncommitted/inactive pool funds. SAP will be the primary source of information. Results of the quarterly reviews will be submitted to Tom Mauser. Responsible party: Qing Lin. Due: quarterly, beginning January 1, 2015, and submitted to Tom Mauser by the 15<sup>th</sup> day of the month following quarter end.
  5. DTR will also track the status of all FASTER project and administrative awards approved by the Transportation Commission using a Master Status Sheet of FASTER Projects. The list will provide the history of all awards, and current status of all FASTER projects awarded starting in FY2010. The Sheet will be updated quarterly and will be closely coordinated with COTRAMS and the quarterly financial report developed by the Pool Manager. The Master Status Sheet will provide basic information taken from SAP but will be expanded to include narrative information not tracked by SAP, such as scope changes, any differences between award and contract amount, explanations for any projects that share one project number or any projects that have more than one project number, and an explanation for any projects that are withdrawn or cancelled. When practicable, this information and functionality will be migrated to COTRAMS, which will become the central repository of information on all FASTER projects and make it easier to check on status in SAP. Responsible party: Tom Mauser. Due: First edition developed by September 30, 2014, then updated quarterly thereafter.
  6. In order to ensure that all projects proceed on a timely basis towards closure, on a quarterly basis DTR’s Grant Coordinators will be responsible for quarterly reviews of the status of each FASTER project in their assigned territory. This information will be fed into COTRAMS. Each grant recipient will be asked to report at least quarterly on their status of meeting their contract milestones. Projects that fall behind significantly will be reported to Tom Mauser, who will report such in the Master Status Sheet. In the case of projects administered by a Region engineer, the request for information will be made to the engineer by the appropriate Grant Coordinator. We can also track projects managed by the regions by attaching notes to the project and closing the milestones ourselves;



## Appendix A

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- this would also allow us to generate the report from COTRAMS for editing to include any SAP information to which we don't yet have access. Responsible party: Rob Andresen and his Grant Coordinators. Due: Starting October 1, 2014, then quarterly.
7. In order to minimize the number of projects that fail to proceed promptly, DTR will re-emphasize, in all upcoming calls for projects, the need for projects to be ready to proceed and will request more evidence of readiness and commitment to maintaining project milestones and schedules. DTR will also strengthen its testing of the readiness of projects. Responsible party: David Averill. Due: Starting with call for projects to be released in September, 2014
  8. Rather than only being able to utilize project savings in the subsequent funding cycle, thus resulting in poor cash management, DTR will establish procedures for selecting projects that are ready-to-go that could receive funding if projects savings of a sufficient amount became available. The Commission would approve a list of such projects. Responsible party: David Averill. Due: Starting with call for projects to be released in September, 2014
  9. The Audit Division has already provided some training to a few DTR staff members on how to review all FASTER projects using SAP transaction codes ZF95, ZF70 and ZJ40. Further training on how to use these codes will be requested for all relevant staff from Larisa Cannon and/or Audit Division staff. Responsible party: Tom Mauser Due: No later than September 30, 2014.
  10. A major goal for DTR will be ensuring that policies and procedures are implemented and documented so that all current and future staff clearly understand the general controls that are put in place for FASTER. Rob Andresen has already been making revisions to DTR's State Management Plan, as well as starting the development of a detailed policies and procedures manual for his Unit. However, the State Management Plan is primarily geared towards FTA funding, not FASTER; it may contain some guidance helpful to FASTER but it will be limited, while his policies and procedures manual may likely provide more useful guidance. In the development of that manual, Rob will be asked to include any particular guidance that is needed specifically for FASTER. These materials will be provided to staff. Responsible party: Rob Andresen. Due: State Management Plan update by March 31, 2015, policies and procedures manual no later than June 30, 2015.



# STATE OF COLORADO

DEPARTMENT OF TRANSPORTATION



**Division of Audit**  
4201 East Arkansas Avenue  
Shumate Building  
Denver, Colorado 80222  
(303) 757-9661  
FAX (303) 757-9671

September 25, 2014

Mr. David Cozart  
Sr. Manager Federal Compliance  
CH2M Hill, Inc.  
9193 S. Jamaica Street  
Englewood, CO 80112

Dear Mr. Cozart

We have performed a cognizant review of the audit, and supporting workpapers, of the indirect cost rates of CH2M Hill, Inc. as presented in the Schedules of Federal Acquisition Regulation Compliant Indirect Cost Rates (Field Office and Home Office) for the year ended December 31, 2013 in accordance with our role as Cognizant Agency as defined in 23 U.S.C. 112(b)(2)(c) and 23 CFR 172.3 and 172.7. The audit was performed by the independent CPA firm KPMG LLP. The CPA represented that the audit was conducted in accordance with the *Government Auditing Standards*, as promulgated by the Comptroller General of the United States of America, and the audit was designed to determine that the indirect cost rates were established in accordance with Cost Principles contained in the Federal Acquisition Regulation, 48 CFR Part 31. Our cognizant review was performed in accordance with the *AASHTO Review Program for CPA Audits of Consulting Engineers' Indirect Cost Rates*.

In connection with our cognizant review, nothing came to our attention that caused us to believe that the audit, and supporting workpapers for the indirect cost rates, and the related Accountant's Reports, we reviewed did not conform in all material respects to the aforementioned regulations and auditing standards.

Accordingly, we recommend acceptance of the following rates:

***Rates are confidential***

Barbara J. Gold, CPA, CISA  
CDOT Audit Division Director

C: Neil Yuan, KPMG LLP

**Audit Work-in-Progress**

**Web-based Information Management System (WIMS)**

As of September 2014, the Audit Division had started a limited review of the WIMS system utilized by the Aeronautics Division to manage the Colorado Discretionary Aviation Grant Program (CDAG). The objective and scope for the WIMS review will include the following areas: effectiveness of the WIMS implementation, validity, accuracy and completeness of the discretionary grants within WIMS, and the status of prior audit recommendations. The expected completion date for finalizing the single audit review is October 2014.

**Fuel Cost Audit - Phase 2 & 3**

The fuel cost audit has four phases. The second and third phases will review the monitoring process over employee fuel PINs and vehicle fuel credit cards. These phases were combined after performing a risk assessment and determining the testing of both phases at the same time would be more efficient. The objectives for these phases are:

- 1. Determine if oversight of assigning and canceling fuel cards to CDOT vehicles is effective.
- 2. Determine if authorization levels for fuel cards are appropriate.
- 3. Determine if oversight of issuing, changing and terminating employee fuel PINs is effective.

We anticipate completing field work and issuing management a letter with our findings by the end of December 2014.

**A-133 Single Audit Reviews**

As of September 2014, the Audit Division had performed 18 single audit reviews. In addition, we have received information from 186 sub-recipients (approx.56 percent of the total number of sub-recipients) corresponding to the A-133 2013 process. The expected completion date for finalizing the single audit review is March 2015.

**Indirect Cost Rate Reviews**

It is CDOT's responsibility to monitor the activities of local governments and non-profit entities as necessary to ensure that awards are used for authorized purposes and in compliance with Federal regulations. As part of this responsibility the Audit Division reviews the reasonableness of indirect cost rate proposals submitted by these entities. The table below summarizes these reviews for July-September.

<b>Entity</b>	<b>Status</b>
36 Commuting Solutions Review	Completed
Downtown Denver Partnership Review	Completed
Denver Regional Council of Governments Fieldwork	Completed
North Front Range MPO	Review
Seniors' Resource Center, Inc.	Fieldwork

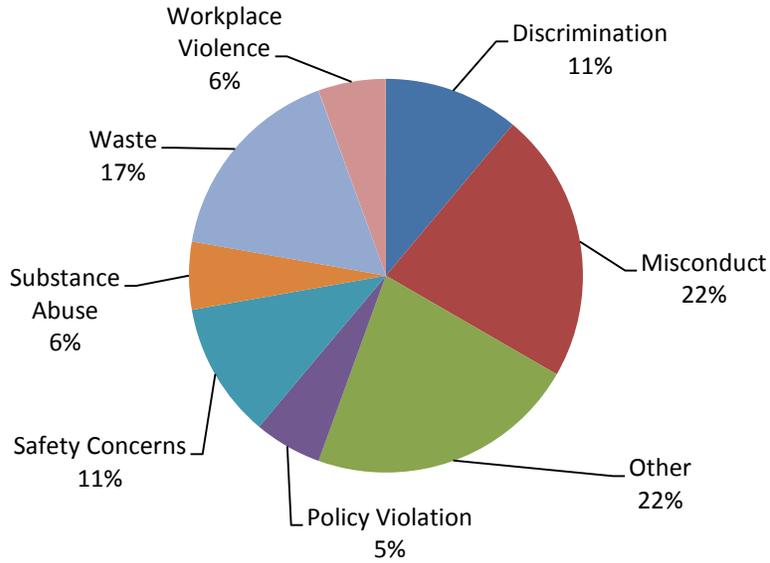
### **Consultant Audits: The Financial Qualification Process**

Our Audit Plan, approved in April 2014, includes “Consultant Pre-Qualifications”. We perform this audit work in order to comply with the federal regulations and provide CDOT assurance that all costs considered for acceptance and use in CDOT contracts, was developed in accordance with these regulations. Last April, we informed the Committee of changes to our process. Over the past several months, we have revised our procedures to incorporate feedback from Contracts and Market Analysis, the Civil Rights and Business Resource Center, consultants, ACEC and FHWA. These changes will increase efficiencies for both CDOT and consultants and improve our documentation. In addition, we streamlined the process for consultants and maintain the opportunity for small and new firms to participate in CDOT projects. We plan to finalize our procedures in October and in November, provide training to the industry in partnership with ACEC.

#	Auditor	Recommendation	Area	Planned Implementation
1	OSA	<p><b>Outdoor Advertising--Recommendation 1</b>  Establish adequate controls over outdoor advertising signs to ensure compliance with federal and state requirements by:</p> <p><b>1c.</b> Establishing a standard process for enforcing federal and state laws and Department regulations when illegal signs are identified.  <b>1d.</b> Ensuring that permit holders affix their permit decals to the signs.</p>	Chief Engineer	November 2014
2	OSA	<p><b>SAP Information Technology, Recommendation 3b</b>  CDOT should work with OIT to improve its disaster planning and Preparedness for SAP by:  Ensuring that the disaster recovery plan includes all components required by State Cyber Security Policies.</p>	Director of Admin Services -OIT	September 2014
3	FTA	<p><b>FTA Title VI Recommendation 2-</b> Language Access to LEP Persons: Insufficient Oversight.</p>	Director of Admin Services	August 2014
4	FTA	<p><b>FTA Title VI Recommendation 3</b>  Title VI Complaint Procedures: Insufficient Oversight.</p>	Director of Admin Services	December 2014
5	FTA	<p><b>FTA Title VI Recommendation 9 -</b> Statewide Planning Activities:  No existing basis for Title VI Certification.</p>	Director of Admin Services	June 2014
6	FTA	<p><b>FTA Title VI Recommendation 10 -</b> Program Administration:  No record of funding requests maintained.</p>	Director of Admin Services	December 2014
7	CDOT	<p><b>Central Files-Documents Retention, Recommendation 1b</b>  Once the strategic decisions have been made regarding CDOT's documentation policies (i.e. centralized, decentralized, EDMS, etc.), the Manager of Administration should update all Record Management Procedural Directives (PD) that relate to Central Files and Record Disposition Schedules. Included in the PD should be a current list of all project documents that should be sent to Central Files, including what is considered core documents. The Manager of Administration should develop a process to ensure the PD is updated when necessary and clearly communicated to all employees.</p>	Director of Division of Transportation Development	February 2015
8	CDOT	<p><b>ITS Network Security, Recommendation 1b</b>  Reconfigure the network to allow only authorized traffic coming from JungleMux devices.</p>	Director of Operations	September 2015
9	CDOT	<p><b>Payment Card Security Audit, Recommendation 3b</b>  Scan the web application regularly for SQL injection and XSS threats.</p>	Director of Admin Services -OIT	September 2014
10	CDOT	<p><b>Right of Way Leases and Disposals, Recommendation 4b</b>  Improve controls over inventory of excess property by:  <b>4b.</b> Reconciling all disposals to the SAP transaction code FBL3N for GL Code 7530400060 at least annually to ensure all disposal records are maintained.</p>	Director of Admin Services	October 2014

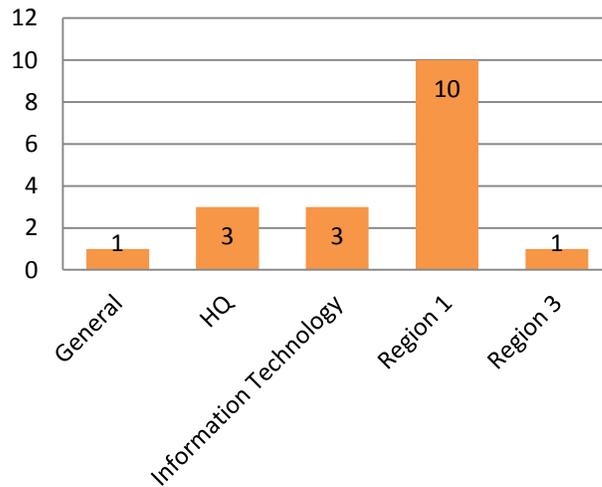
#	Auditor	Recommendation	Area	Planned Implementation
11	CDOT	<b>Right of Way Leases and Disposals, Recommendation 5</b> Review and update Policy and Procedural Directives 1300-0, 1300-1, 1300-2 and 1307-0 Document updates should be completed as appropriate. The authority section of Chapter 7 of the ROW manual should be updated.	Director of Admin Services	October 2014
12	CDOT	<b>SAP Basis Security Audit, Recommendation 3</b> We recommend that the Director of Services Management 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.	Director of Admin Services -OIT	December 2014
13	CDOT	<b>SAP Basis Security Audit, Recommendation 5</b> The Director of Services Management should work with OIT to: <b>5a.</b> Review the domain administrator accounts assignment for appropriateness and limit the assignments to users who need the access to perform their job duties. <b>5b.</b> Set up domain subgroups and reassign domain administrators according to their job duties <b>5c.</b> Set up different authentication groups in Active Directory based on services provided by the remote users and grant user access accordingly.	Director of Admin Services -OIT	December 2014
14	CDOT	<b>CDOT Indirect Costs Recommendation 1</b> -The CFO, in conjunction with the Chief Engineer, should develop, implement and enforce specific criteria for charging time to the indirect cost centers.	CFO/Chief Engineer	March 2015
15	CDOT	<b>FASTER DTR Reporting Recommendation</b> - The DTR Director should develop, implement and enforce policies and procedures related to tracking FASTER Transit projects. These procedures need to include a process that will guide DTR staff on how to obtain this information and reconcile to verify accuracy and completeness. At a minimum, the procedures should: <ul style="list-style-type: none"> <li>• Define who is responsible for pulling the data and how often it is pulled.</li> <li>• Train staff on how to pull the needed data.</li> <li>• Define who is responsible for reviewing the report.</li> </ul>	Director of Transit & Rail	January 2015
16	CDOT	<b>FASTER DTR General Control Recommendation</b> – We recommend that the DTR Director re-prioritize current tasks and include as its top priority to address the general control issues. <ol style="list-style-type: none"> <li>1. Update and review with staff, roles and responsibilities at all levels including an overview of how each role rolls up into the overall organizations’ deliverables and setting expectations for each position.</li> <li>2. Solidify, standardize, document and communicated procedures for basic processes.</li> <li>3. Provide adequate training to staff at a minimum for generating SAP data and reconciling.</li> </ol>	Director of Transit & Rail	June 2015
17	CDOT	<b>CDOT Boards &amp; Commissions Recommendation 1</b> - In order to comply with the Open Meetings Law and the TC Rules, we recommend that the Commission: <b>1a</b> Electronically record Commission breakfast meetings, or revise the Rules to align with statute. <b>1b</b> Publish a written meeting summary of the meetings.	Secretary of the Transportation Commission	(a) Rulemaking (b) October 2014

**CDOT Audit Division  
18 Hotline Incidents by Type  
PY 2015 (April 1, 2014-September 30, 2014)**



Source: Hotline Data obtained by Audit Division

**CDOT Audit Division  
18 Hotline Incidents by Location  
PY 2015 (April 1, 2014-September 30, 2014)**



Source: Hotline Data obtained by Audit Division