



COLORADO
Department of Transportation

DATE: February 18, 2015
TO: Transportation Commission
FROM: Barbara Gold, Director, Division of Audit
SUBJECT: Audit Review Committee Packet

Purpose

The packet for the January 2015 meeting of the Audit Review Committee was not included in the January 2015 printed packet of the Transportation Commission because it had not yet been released by the Audit Review Committee. During the Committee meeting in January 2015, it was officially released by the Committee. Therefore, it is being included in the printed packet for February 2015.



**Colorado Transportation Commission
Audit Review Committee Agenda
Wednesday, January 21, 2015**

Gary Reiff, Chair
District 3, Englewood

Bill Theibaut
District 10, Pueblo

Sidny Zink
District 8, Durango

Doug Aden
District 7, Grand Junction

Ed Peterson
District 2, Lakewood

Les Gruen
District 9, Colorado Springs

All commissioners are invited to attend this Committee meeting.

- 1. Call to Order**
- 2. Approval of October 2014 Minutes.....p1**
- 3. *Release of Audit Packet.....Audit Chair**
- 4. Audit Charter Review.....verbal**
- 5. Quarterly Schedule – Status, Revisions and Requestsp3**
 - a. *Status of Audit Plan 2015p4**
 - b. Audit Division Metricsp5**
- 6. Other Audits.....verbal**
- 7. Completed Audit Work**
 - a. Indirect Cost Rate Reviews.....p6**
 - b. *Consultant Financial Reviewsp6**
 - c. A-133 Reviewsp7**
 - d. Sole Source Reviews.....p7**
- 8. Audit Work In Progress - Summaries**
 - a. WIMS System Implementation Review.....p8**
 - b. urHub Audit.....p8**
 - c. Fuel Cost Audit.....p8**
 - d. A-133 Audit Programp9**
 - e. Indirect Cost Rate Reviews.....p9**
 - f. Consultant Financial Reviewsp9**
 - g. Bustang Process Review.....p10**
 - h. SuperCircular Trainingp10**
- 9. Outstanding Audit Recommendations.....p11**
- 10. Fraud Hotline Statistics.....p13**
- 11. Audit Division Updatesp14**
- 12. ARC Questions, Requests, Discussion Itemsverbal**

THE 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 16, 2014
9:45 A.M. – 10:15 A.M.
CDOT Headquarters Auditorium**

COMMISSIONERS PRESENT: Gary Reiff, ARC Chairman, Les Gruen, Sidny Zink, Ed Peterson, Bill Thiebaut 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; Melissa Canaday, Audit Supervisor; Lisa Gibson, Program Administrator

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

1. Call to Order

ARC Chairman Reiff called the meeting to order on October 16, 2014, at 9:49 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. 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 Thiebaut. The minutes were adopted as published in the agenda.

3. Audit Charter

Commissioner Zink requested that consideration be given to receiving guidance from the Institute of Internal Auditors related to the charter in the ‘Professionalism’ section. Chairman Reiff said we could make the changes now without sending the charter out. Barbara Gold noted that GAGAS does include IIA standards.

Commissioner Thiebaut stated that he has several questions related to how the Audit Division conducts its business. He would like to spend some time reviewing these questions with Ms. Gold and potentially other staff members of the Audit Division. Chairman Reiff feels that a fresh look at procedures is in order.

Chairman Reiff removed the Charter as a decision item at this time. It will be addressed at the next meeting. There was no opposition to tabling it until next meeting.

4. Audit Plan 2015

Barbara Gold wanted the addition of urHub noted and said she would provide more details related to the project in the future. Ryan Rice did provide some of those details.

Chairman Reiff asked if the Audit Division was on track to complete the work listed on the plan in Quarter 3. Ms. Gold said with the three additional full-time employees being added to the Audit Division soon, that everything did appear to be on track for completion.

5. Audit Report Presentations

A. Presentation of the CDOT Board Audit Report

The release and discussion for this report was postponed until a future ARC meeting.

B. Presentation of the DTR/FASTER Audit Report

Chairman Reiff asked Barbara Gold to review the DTR/FASTER Audit Report. Barbara explained that Trent Josten was the lead auditor on that and was present to give a brief review of the report. Mr. Josten went over the report and reviewed the two recommendations that were made as a result of the audit. One being they develop a better tracking system for projects from award to project completion. The second recommendation was strengthening general controls and documenting all policies and procedures for the Division of Transit and Rail and defining roles and responsibilities of the staff so they are in line with division objective.

Mark Imhoff explained that the audit was requested to provide better monitoring of funds and in an effort to be more efficient with oversight moving forward.

Commissioner Zink questioned how the nine month implementation period was determined and then does that automatically warrant a follow-up to ensure recommendations are being implemented. Mr. Imhoff answered saying it had more to do with the development of COTrams and the schedule of the next round to the state management plan.

Commissioner Peterson moved to adopt the recommendations. Commissioner Thiebaut seconded. The recommendations were adopted without any opposition.

C. CH2M Hill Cognizant Review

Ms. Gold explained that these reviews were very important. Other states utilize the information obtained from these reviews and we also work with other DOT's to complete the review. Trent Josten explained that this was also done last year and the whole process is working more smoothly as time goes on.

Commissioner Gruen moved to adopt the recommendations. Commissioner Zink seconded and the recommendations were adopted unanimously.

D. Outstanding Recommendations Summary

Ms. Gold said in the future the Outstanding Recommendations will be put in chronological order of implementation date for ease of reading. Chairman Reiff liked the updated Outstanding Recommendations Summary and the fact that it is very concise. Ms. Gold also explained that the planned implementation date does trigger follow-up as far as Outstanding Recommendations goes.

E. Adjournment

Chairman Reiff announced that the meeting was adjourned at 10:18 a.m.

Action Items

Discuss with Commissioner Zink the specific language regarding inclusion of the IIA standards in the Audit Charter.

Meet with Commissioners Zink and Thiebaut regarding the process to submit reports to the Committee related to the request made by Commissioner Thiebaut at the ARC meeting.

**CDOT Audit Division
Quarterly Schedule
As of 12/31/2014**

Status of Audit Plan

Several requests and revisions are submitted to the Committee this quarter. The primary reasons for the revisions are due to additional audit requests and resource allocations. We request moving our follow up audit on the Flood to the first quarter of our next plan year beginning April 2015. This is from a combination of discussions with Management and Audit resources. We also request the FASTER Safety audit be postponed until after the Office of the State Auditor releases its report on the current audit of FASTER and allowing management time to implement any recommendations. We anticipate starting our audit in late 2015. Details for the Store Room and Housing Allowance audits are below. Finally, for our Data Analytics and Internal processes, our requests for future start dates is primarily due to resource limitations. Each of these revisions is highlighted on the following chart titled: "Audit Divisions Plan".

Audit Revisions

Store Room Audit

Through internal information we have initiated a review to determine if the Internal Controls of CDOT's Store Rooms are sufficient to protect CDOT assets maintained in storerooms throughout each region. This was not initially on our Audit Plan. We are in the planning stage and in addition to reviewing internal controls; we plan on reviewing store room internal control policy and procedures. Our anticipated completion date is March 20, 2015.

Audits Requested

Housing Allowances Performance Audit

The Senior Management Team has requested an audit of the Department's policies and procedures surrounding CDOT's housing allowance benefit, specifically the employee eligibility requirements and the supervisory approval process. Monthly housing allowances of \$500 are paid to employees who hold positions that are considered "hard-to-fill" based upon set criteria. Currently, there are approximately 670 CDOT employees who receive this monthly benefit. This equates to an approximate expense of \$4 million annually. Of the total recipients, 33 percent reside in Region 1. Upon approval by the ARC to add this to our audit plan we will begin and our expected completion date is April 2015.

**CDOT Audit Division
Audit Division Plan
As of December 31, 2014**

Type	Q1 Apr - Jun	Q2 Jul - Sep	Q3 Oct - Dec	Q4 Jan - Mar
Internal Audit Services	Flood		<i>Flood - Q1</i>	<i>FASTER Safety - Q3</i>
	Fuel Card Audit - Phase 1	Fuel Card Audit - Phase 2	Fuel Card Audit - Phase 2 & 3	<i>Contracts/Procurement - Q1</i>
	Requirements of CDOT Boards	Requirements of CDOT Boards		<i>Fuel Card Audit - Phase 2 & 3 UrHub</i>
	CDOT Indirect Rate	WIMS - Division of Aeronautics	WIMS - Division of Aeronautics	<i>WIMS - Division of Aeronautics</i>
	Fraud	Fraud	Fraud	Fraud <i>Store Room</i>
	Special Requests - FASTER DTR	Special Requests - FASTER DTR	Special Requests - UrHub	Special Requests - <i>Housing Allowance</i>
	Outstanding Recommendations	Outstanding Recommendations	Outstanding Recommendations	Outstanding Recommendations
External Audit Services	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	<i>Final Cost Audits</i>	<i>Final Cost Audits - Q2</i>
Data Analytics	Fuel	Fuel	Fuel	Fuel
		Purchase Analytics	Purchase Analytics	<i>Purchase Analytics - Q1</i> Fleet Use of Consultants
Advisory Internal Processes	RAMP	RAMP	RAMP	RAMP
	GRC Implementation	Lean Collaboration	Dispute Program	<i>Peer Review</i>
	Lean Collaboration		Lean Collaboration	Lean Collaboration
	A-133 Program Revision		<i>Indirect Cost Rate Program</i>	<i>Final Cost Audit Program - Q1</i>
	Sole Source Program	Outstanding Recommendations	Outstanding Recommendations	<i>Indirect Cost Rate Program - Q1</i>
	Data Analytic Program	Fraud Hotline	Fraud Hotline	<i>Fraud Hotline</i>
		Peer Review	Peer Review	
Legend:	Complete In Progress <i>Proposed Changes</i>			

**CDOT Audit Division
Audit Division Metrics
As of December 31, 2014**

Audit Division Metrics						
	Goal	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Mar	YTD
Audits Completed	9	<u>3</u>	<u>2</u>	<u>0</u>		5
Requests for Audit Services	6	1	0	<u>4</u>		5
A-133	230	1	<u>164</u>	<u>202</u>		286
Financial Packages / Prequalifications	150	38/162	<u>60/264</u>	<u>53/183</u>		151/609
Other External	29	7	<u>5</u>	<u>5</u>		17
Internal Audit Processes	9	3	1	<u>1</u>		5
Data Analytics	8	1	1	<u>2</u>		4
Regional visits	6	1	1	0		2
Department-Wide Communications	1	0	0	<u>1</u>		1
Report Delivered When Committed	Within 2 weeks	1	<u>1</u>	<u>N/A</u>		2
Add Value Rating	3 or above	<u>2.75</u>	<u>3</u>	<u>N/A</u>		-
Actual / Budget Audit Hours	+/- 20%	68%	<u>6%</u>	<u>N/A</u>		-

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**CDOT Audit Division
Completed Audit Work
As of 12/31/2014**

Indirect Cost Rate Reviews

During this quarter we completed three indirect cost rate reviews as listed in the table below. CDOT has the responsibility to monitor the activities of local governments and non-profit entities as necessary to ensure that these entities use federal awards 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. We did not identify any issues in the reviews performed.

**CDOT Audit Division
Indirect Cost Rate Reviews Completed
October 2014 – December 2014**

Entity Name	Pass-Through \$ in CY 2013
North Front Range MPO	\$1,019,317
Seniors' Resource Center, Inc.	\$ 392,747
Weld County	\$1,612,114
Total	\$3,024,178

Source: Audit Division

Consultant Financial Reviews

Consultant Financial Reviews provide assurance to CDOT that consultants who provide architectural and engineering professional services comply with federal regulations: the Federal Acquisition Regulations (FAR.) The demand for conducting Financial Reviews is high as CDOT advertises projects throughout the course of the year and those who wish to do business with CDOT must go through a Financial Qualification process. As the chart below shows we have completed a total of 151 audits which included the review of 609 various business entities. For this past quarter, October through December, the Audit Division completed 53 Audits on Prime Consultants which also involved their sub-consultants. This resulted in the review of 183 business entities financial data to make a determination if those entities were in compliance with the FAR and if their rates are fair and reasonable. As a result of our reviews to provide assurance to management that the Consultants are in compliance with FAR Cost Accounting Standards we found instances of unallowable costs, improper allocations, misclassification of costs and unreasonable compensation adjustments. All of these adjustments were discussed with and agreed to with the corresponding Consultant. The aggregate of these adjustments is \$1,088.30/per hour for the period reported below.

**CDOT Audit Division
Consultant Financial Reviews and Audits
April 2014 – December 2014**

	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Totals
Audits	10	15	13	21	20	19	23	13	17	151
Entities*	61	57	44	117	74	73	36	81	66	609

Source: Audit Division Logs

*Entities: An audit is with regards to the Prime-Consultant. The prime may have any number of sub-consultants on their team of which each would require an audit. Example: Prime with 10 sub-consultants is a review of 11 entities.

**CDOT Audit Division
Completed Audit Work
As of 12/31/2014**

A-133 Audit Procedures

During this quarter, the Audit Division completed revising its internal procedures for A-133 reviews. These revisions resulted in

- A more accurate list of sub-recipients by combining three different lists.
- Current and updated contact information (contact person, address, emails) for improving our communication with the sub-recipients.
- Improved method to request information from sub-recipients. In addition to requesting information by phone, email and by web site, the Audit Division researched the federal clearing house prior to submitting a second request to the sub-recipients.
- Improved procedures to monitor sub-recipients and document this monitoring in collaboration with the Division of Accounting and Finance. In addition to communicating the results of our review to sub-recipients, the Audit Division now communicates this same information to the Division of Accounting and Finance.

Sole Source Reviews

During the quarter we completed two sole source reviews as listed in the table below. Colorado Revised Statute 24-103-205 allows a contract to be awarded without competition when the head of a purchasing agency determines in writing that there is only one source for the required item. Sole source procurement is justified when there is only one good or service that can reasonably meet the need and there is only one vendor who can provide the good or service. CDOT's Procurement Manual requires a price cost analysis when no competition is received. Additionally, the Manual requires CDOT Audit to review sole source procurements exceeding \$100,000 to determine fair and reasonable pricing. The Audit Division uses criteria methodologies outlined in the Manual as a basis to determine fair and reasonable pricing.

**CDOT Audit Division
Sole Source Reviews Completed
October 2014 – December 2014**

Vendor and Item Reviewed	Procured Amount
3M 6C Dual Position Switchable Transponders	\$ 120,000
Viking-Cives Tow Plow Truck	\$1,099,708
Total	\$1,219,708

Source: Audit Division analysis

**CDOT Audit Division
Work-in-Progress
As of 12/31/2014**

Web-Based Information Management System (WIMS)

In September 2014, the Audit Division 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 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. We presented our draft recommendations to the CDAG management in November 2014. Due to turnover of the Division Director we plan to present the draft report to the Acting Director in January 2015 and then present the report to the Division's Board. The expected completion date for finalizing this audit review is February 2015.

urHub Contract Performance Audit

In October 2014, the Audit Review Committee approved the request for an audit of the contract between CDOT and The Hub Companies, LLC dba urHub.

In December 2014, the Audit Division started audit planning related to this audit. The purpose of this audit is to ensure that all items within the contracted statement of work has been adequately completed by urHub and that the results of the work completed carry out the public policy of the State of Colorado. Our expected completion date is March 2015.

Fuel Cost Audit

In June we presented our approach for the fuel audit. We initially planned this audit as a four phase audit -- phases 2 and 3 were subsequently combined:

1. Exception Reports
2. Fuel PINS
3. Fuel Cards
4. Reconciliation Processes

Fuel Cost Phase 1

Based on our testing of the Exception Reports, we found a lack of segregation of duties, weak criteria used in defining what constitutes an exception, and several deficiencies with the exception reports. We developed recommendations and presented them to the Division of Maintenance staff in June 2014. Since this presentation we developed data analytics to quantify our audit results and have presented preliminary data to management. We are now preparing a draft audit report to present to management at the end of January. Included in our testing will be a determination of the implementation status of our recommendations presented to management in June.

Fuel Cost Audit - Phase 2 & 3

The second and third phases include reviewing CDOT's monitoring process over employee fuel PINs and vehicle fuel credit cards. Based on our risk assessment we combined these two phases because of multiple similarities. 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 March 2015.

**CDOT Audit Division
Work-in-Progress
As of 12/31/2014**

A-133 Single Audit Reviews

As the chart below shows, the Audit Division performed 103 single-audit reviews of non-exempt sub-recipients and reviewed certifications from 99 exempt sub-recipients. The Audit Division identified three entities with findings related to CDOT. As part of the pass-through entity responsibilities, the Audit Division submitted management letters to those three entities requesting an update on the actions taken for those findings. The expected completion date for finalizing the A-133 procedures is March 2015.

**CDOT Audit Division
Status of A-133 for the CY 2013
as of 12/31/2014**

Type of Sub-recipients	# of Sub-recipients	Sub-recipients with Findings Related to CDOT
Exempt	99	N/A
Non-Exempt	103	3
Total	202	3

Source: Audit Division

Indirect Cost Rate Reviews

At the end of this quarter we had one indirect cost rate review in progress as listed in the table below. 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.

**CDOT Audit Division
Indirect Cost Rate Reviews in Progress
October – December 2014**

Entity Name	Amount Spent on Entity in CY 2013
Northwest Colorado Council of Governments	\$72,610
Total	\$72,610

Source: Audit Division

Consultant Financial Reviews

CDOT has the responsibility for evaluating Professional Architectural/Engineer (A/E) consulting firms indirect cost rates to ensure that those rates are developed in accordance with Federal Acquisition Regulations (FAR) cost principles. A/E firms performing or desiring to perform services for CDOT must submit a Financial Qualifications package at the time of the initial request and annually thereafter. This is one part of obtaining the required Master Pricing Agreement (MPA). This package contains the consultant's financial statements. We review this data in order to determine if and provide assurance to management that the consultant has complied with the FAR principles in determining their indirect cost rate.

**CDOT Audit Division
Work-in-Progress
As of 12/31/2014**

Bustang Process Review

The Division of Transit and Rail requested the Audit Division to participate in various meetings related to the business processes for the new CDOT Inter-regional bus service (Bustang). Our role is to help identify potential risks associated with the various processes and report those to management in an effort to efficiently address those risks. We have provided management with information related to the following high risk areas.

- Intergovernmental Agreement issues being resolved and fully executed
- Office of Information Technology completing required processes to comply with State Statutes
- Documenting the full business process for the Division of Transit and Rail and all other affected Divisions to identify, analyze and respond to potential risks related to the Bustang program

Supercircular Training

The Federal Office of Management and Budget (OMB) issued new Federal Guidance for Administrative requirements, cost principles, and audit requirements for Federal awards. The new guidance supersedes and streamlines eight previous OMB circulars and is referred to as the “Supercircular”. The Supercircular significantly changes how CDOT currently manages its Federal awards. The Audit Division prepared a training presentation in collaboration with FHWA to communicate these changes to the affected CDOT staff. Our presentation is scheduled for mid-January. FHWA will provide a follow-up presentation in late February.

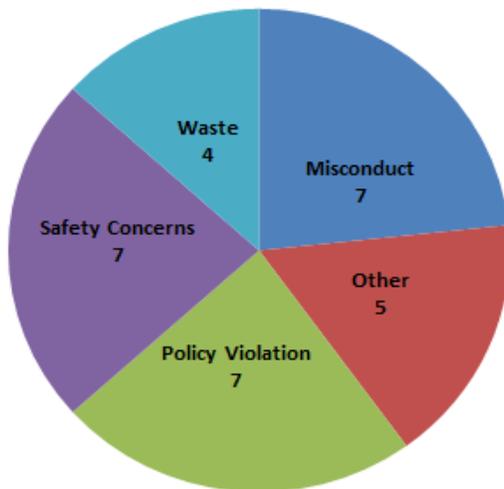
**CDOT AUDIT DIVISION
OUTSTANDING RECOMMENDATION SUMMARY
AS OF 12/31/2014**

#	Auditor	Original Implementation Date	Revised Implementation Date	Audit Name	Finding	Recommendation	SMT	Status Reported by Management	Status Reported by Audit
1	CDOT	2/1/2012	11/28/2015	Central Files Document Retention Audit	Strategic decisions should be made about CDOT's document retention. Management needs to determine whether to implement an EDMS. Once selected the process should be written in a Procedural Directive and communicated to employees.	Once the strategic decisions have been made update all Record Management Procedural Directives that relate to Central Files and Record Disposition Schedules. Develop a process to ensure the PD is updated and communicated.	DAS (Heidi Humphreys)	On Track	Open
2	CDOT	6/30/2012	9/30/2014	Payment Card Data Security	Improvements can be made to CDOT IT Infrastructure and operations to enhance payment card security. SQL injection scanning should be periodically performed.	Scan the web application regularly for SQL injection and XSS threats.	DAS (Heidi Humphreys) -OIT	Implemented	Pending Review
3	CDOT	12/28/2012	11/30/2014	Intelligent Transportation Systems (ITS) Network Security	The ITS network contains inherent weaknesses making ITS and business networks susceptible to attacks. The business network is being converted to MPLS. There is no schedule to determine when the conversion will be completed. Until converted, both networks are at risk for attacks.	1B. Reconfigure the network to allow only authorized traffic coming from JungleMux devices.	Director of Operations (Ryan Rice)	Implemented	Pending Review
4	CDOT	12/30/2012	12/31/2014	SAP Basis Security	Security log information is not reviewed for appropriateness and there is no established methodology to conduct such a review. This finding is similar to the Office of the State Auditor finding from 2010.	The Director of Services Management should 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.	DAS (Heidi Humphreys) -OIT		Open
5	CDOT	12/30/2012	12/31/2014	SAP Basis Security	Improvements can be made to IT infrastructure and operations to better secure SAP. A user with a domain administrator account has full access to all computing resources on a computer. If account is not used properly, it can cause damage either intentionally or accidentally.	The Director of Services Management should work with OIT to review the domain administrator accounts assignment for appropriateness and limit the assignments to users who need the access to perform their job duties.	DAS (Heidi Humphreys) -OIT	On Track	Open
6	CDOT	12/30/2012	12/31/2014	SAP Basis Security	Improvements can be made to IT infrastructure and operations to better secure SAP. Some of the domain administrator accounts are used to schedule and run operating system services. These accounts are not associated with a single user and administrators have access to these accounts.	The Director of Services Management should work with OIT to set up domain subgroups and reassign domain administrators according to their job duties.	DAS (Heidi Humphreys) -OIT	On Track	Open
7	CDOT	12/30/2012	12/31/2014	SAP Basis Security	Improvements can be made to IT infrastructure and operations to better secure the SAP environment.	The Director of Services Management should work with OIT to set up different authentication groups in Active Directory and grant user access accordingly.	DAS (Heidi Humphreys) -OIT	On Track	Open
8	FTA	2/14/2013	1/31/2015	Title VI Compliance Review	CDOT's most recent four-factor analysis and LAP did not include all of the elements required by FTA Circular 4702.1A, IV-4.	Submit to FTA Region VIII Civil Rights Officer: completed four-factor analysis for itself and four-factor analyses for its sub-recipients; a detailed implementation plan to complete LAPs for itself and its sub-recipients	DAS (Heidi Humphreys)	On Track	Open

**CDOT AUDIT DIVISION
OUTSTANDING RECOMMENDATION SUMMARY
AS OF 12/31/2014**

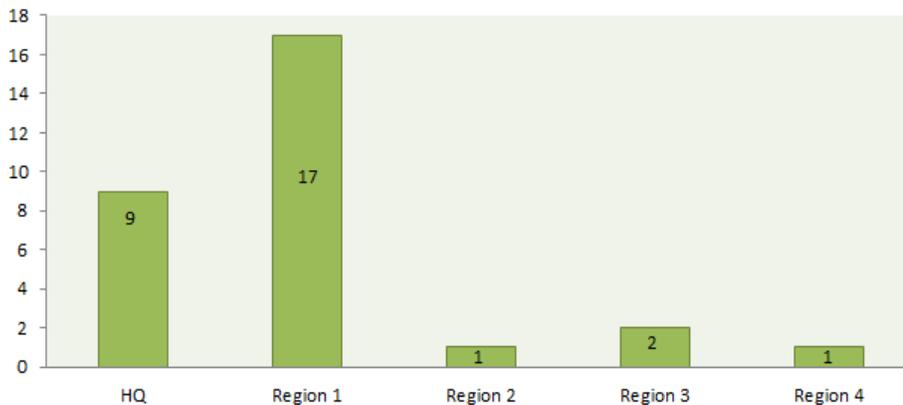
#	Auditor	Original Implementation Date	Revised Implementation Date	Audit Name	Finding	Recommendation	SMT	Status Reported by Management	Status Reported by Audit
9	FTA	2/14/2013	2/20/2015 12/31/2014	Title VI Compliance Review	Deficiencies were found regarding CDOT's compliance with FTA requirements for Title VI Complaint Procedures.	Submit an implementation plan to FTA for its sub-recipients to have complaint procedures.	Director of DTR (Mark Imhoff)	On Track	Open
10	FTA	2/14/2013	12/31/2014	Title VI Compliance Review	CDOT did not provide documentation that it passed through FTA Section 5310, 5311, 5316, and 5317 funds without regard to race, color, national origin, and minority and low-income populations were not being denied the benefits of or excluded from participation.	Submit to FTA Region VIII Civil Rights Officer procedures to ensure that it will consider Title VI in its competitive selection process or annual program of projects submitted to FTA, including development of a Record of Requests, as required.	Director of DTR (Mark Imhoff)	Waiting to hear from FTA	Open
11	OSA	4/1/2014	02/28/2015 11/30/2014	Outdoor Advertising Program	The Department does not consistently apply enforcement procedures to ensure that action is taken against illegal signs and that sign owners post permit and renewal decals in a visible location on the signs.	Establish adequate controls over outdoor advertising signs ensure compliance with federal and state requirements; establish a standard process for enforcing these requirements when illegal signs are identified.	Director of Division of Project Support (Scott McDaniel)	Implemented	Pending Review
12	CDOT	6/30/2014	1/31/2015 12/31/2014	Right of Way Leases and Disposals	PD's 1300-0, 1300-1, 1300-2, and 1307-0 are referenced in Chapter 7 of the ROW Manual. Federal regulations require the ROW Manual to be updated to reflect changes in operations. The PD's referenced in the ROW Manual are more than 15 years past their respective review or sunset dates.	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.	DAS (Heidi Humphreys)	Delayed	Open
13	CDOT	10/31/2014	3/31/2015	CDOT Indirect Costs	Charges to indirect would be more consistent with specific criteria. When employees follow specific guidelines, management can have more reliance on charges to both direct and indirect labor charges.	We recommend the Chief Financial Officer and the Chief Engineer work together to develop, implement and enforce specific criteria for charging time to the indirect cost centers.	CFO and Chief Engineer (Scott Richrath / Josh Laipply)	On Track	Open
14	CDOT	1/15/2015	2/28/2015	FASTER DTR	DTR did not have a system in place to track the entire lifecycle of projects including revenue; projects awarded and budgeted, amount spent on each project, amounts encumbered and projects closed out.	The DTR Director should develop, implement and enforce policies and procedures related to tracking FASTER Transit projects.	DTR Director (Mark Imhoff)	Delayed	Open
15	OSA	4/30/2014	11/30/2014	Outdoor Advertising Program	Signs did not have visible permit or renewal decals.	Establish adequate controls over outdoor advertising signs to ensure compliance with federal and state requirements by ensuring that permit holders affix their permit decals to the signs.	Director of Division of Project Support (Scott McDaniel)	Implemented	Pending Review
16	CDOT	6/30/2015		FASTER DTR	DTR does not have general controls in place to ensure that their business objectives are being met.	We recommend that the DTR Director re-prioritize current tasks and include as its top priority to address the general control issues.	DTR Director (Mark Imhoff)	On Track	Open

**CDOT Audit Division
Hotline Summary
Calendar Year 2014
By Incident Type**



Source: Hotline Data obtained by Audit Division

**CDOT Audit Division
Hotline Summary
Calendar Year 2014
By Location**



Source: Hotline Data obtained by Audit Division

CDOT Audit Division Updates As of 12/31/2014

Training of Professional Consultants

The Division of Audit partnered with a local CPA firm and the ACEC to offer a half day of training regarding the financial requirements these consultants must complete in order to do business with CDOT. The industry demand for this training was overwhelming. We initially planned to present one training session expecting 25 -30 participants. We scheduled two additional sessions in order to meet the needs of our Consultant Partners and over 90 participants attended.. During and after the training we received extremely positive feedback from the consultants. In addition, as a result of our training we have received numerous calls and have met with several to assist them. We also sent out a Satisfaction Survey to the attendees and with a 49 percent return rate. The ratings were 1 for Unsatisfactory and 5 for Exceptional. The questions and results are as follows:

QUESTION	RATING
1. Rate the overall training program	4.18
2. Was the presentation and materials effective for you to meet CDOT's Requirements?	4.19
3. As a result of the training, do you have a better understanding of CDOT's Financial Qualification process?	4.32
4. Were the instructors knowledgeable and professional in presenting the materials?	4.45
5. Will the information presented assist you with the responsibilities relative to the Financial Qualification process of CDOT?	4.27
6. Did the training meet your expectations?	4.09

Fraud Program

The Audit division is committed to be pro-active in the prevention and detection of fraud within CDOT. During this past quarter we published a department-wide Blog about Fraud, the Fraud Triangle and its components. To compliment and further this information, we developed a power point presentation regarding fraud and the "red flags" of fraud. We plan to make that presentation to various groups within headquarters and each region throughout CDOT during this next quarter. Our goal is to heighten CDOT employees' senses to the "red flags" of fraud: the motivators, opportunities and the importance of our Hotline. We also want them to know that Audit is here to assist them and answer any questions they may have regarding suspicions or any other matter. In December we also posted, on the CDOT intranet website, an article on "The Components of Fraud."

Consultant Automated Financial Qualification Application Process

Audit is working with the Office of Information Technology (OIT) in the development of an automated Financial Qualification application process. This process will be integrated into the Contracts and Market Analysis (CMA) database as part of creating the Master Pricing Agreement (MPA). The benefit of this technology will be Audit receiving a complete package, much sooner than the current manual process. This will significantly decrease the time from submission to completion since Audit will not have to make multiple requests in order to obtain missing documentation. It will also provide CMA with a more accurate method of inputting approved rates into the MPA.

Audit Division Peer Review

The Audit Division is required to have an external peer review every three years. This peer review is performed by auditors from other State DOTs. The peer review will review the Audit Division's internal controls system and a sample of audits performed during the review period. The Audit Division submitted a peer review request form in December 2014.

CDOT Audit Division Updates
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Recent New Hires

The Audit Division is excited to have hired two new senior auditors in the past month. We are also in the process of interviewing candidates for a lead auditor position. By being fully staffed, we are better able to meet the needs of the Department.

RFP 15-074 related to Internal Controls System Review

The Audit Division was requested to participate in the draft preparation of a Request for Proposal and in the selection panel relating to the hiring of a consulting firm that will assist CDOT in an overall assessment of the internal control system and its adequacy.