

Colorado Transportation Commission
Audit Review Committee Agenda
Wednesday, August 19, 2020

Sidny Zink, Chair Eula Adams Karen Stuart Shannon Gifford Bill Thiebaut
District 8 District 3 District 4 District 1 District 10

Kathleen Bracke
District 5

All commissioners are invited to attend this Committee meeting

1.	Call to Order	Verbal
2.	Approval of January 15, 2020 Minutes	p. 1
3.	Motion regarding Disadvantaged Business Enterprise Audit Report	Verbal
4.	FY 2020 Audit Results	Verbal
5.	FY 2021 Audit Plan	Verbal
6.	Outstanding Recommendations Update	Verbal

THE AGENDA MAY BE ALTERED AT THE CHAIR'S DISCRETION

Colorado Transportation Commission
Audit Review Committee (ARC) Meeting
January 15, 2020
4:30 p.m. - 5:15 p.m.
CDOT Headquarters

AUDIT COMMITTEE MEMBERS: Eula Adams; Karen Stuart; Kathleen Bracke; Shannon Gifford; Bill Thiebaut; and Sidny Zink, Chair

EXECUTIVE MANAGEMENT TEAM AND OTHER COMMISSIONERS: Frank Spinelli, Audit Director; Shoshana Lew, Executive Director; Herman Stockinger, Deputy Director; Jeff Sudmeier, Chief Financial Officer; Steve Harelson, Chief Engineer; Kyle Lester, Director of Maintenance and Operations; Matt Inzeo, Public Information Officer; Commissioners Bill Theibaut, Kathleen Bracke, Barbara Vasquez, and Irv Halter; and Kathy Young, First Assistant Attorney General

AUDIT TEAM: Jim Ballard, Audit Manager; Robyn Lamb, Audit Supervisor; Daniel Pia, Audit Supervisor; Patrick Wheat, Auditor 1; Josh Gosenca, Auditor III; and Chris Stapley Auditor III.

Call to Order

Chair Zink called the meeting to order at 4:30 p.m.

Motion to Release July 17, 2019 and October 16, 2019 Minutes

Chair Zink made a MOTION to approve the July 17, 2019 and the October 16, 2019 minutes with one small correction. All voted in favor.

Motion and Release of Utility Accounts Report

Mr. Spinelli introduced the Utility Accounts Report, saying that the work was performed as a performance audit. Chair Zink moved to release the Utility Accounts Report and thereafter to discuss it. The motion was seconded and all voted in favor. Chair Zink commented that this type of report serves as a perfect example of why CDOT needs an audit division to help improve its internal controls and make CDOT a better organization.

Commissioner Adams commented this was a similar report to what he use to see when he was in the profession. He also agreed of the Audit Division's approach and believed that management needs to use this report to reinforce its business practices.

Mr. Wheat, Auditor I, presented a brief summary of the Utility Accounts Report, including the objectives, findings, and recommendations.

Chair Zink asked Mr. Spinelli if the Audit Division identified fraudulent activities regarding the utility report. Mr. Spinelli stated that the audit did not identify any instances of employees purposely circumventing controls.

Commissioner Adams questioned if the audit quantified the amount of improperly paid utility invoices. Director of Maintenance and Operations, Kyle Lester, addressed Mr. Adams' question. Mr. Lester provided an update on collection efforts for those accounts that were not properly opened, transferred, or closed. He stated CDOT has recovered approximately \$1.5 million and is limited because of Xcel payback policies that only allows for reimbursement claims for up to two years. Mr. Lester also explained that some of the improperly paid invoices date back 10 years or more making this task almost impossible. Chair Zink questioned Mr. Lester about the potential recovery of approximately \$700,000 that was identified in the Utility Accounts Report. Mr. Lester explained that CDOT did not have policies regarding utility accounts. Before recent

policy changes, anyone was able to set up an account with Xcel energy. Currently, Xcel energy is a true partner with CDOT in fixing this problem.

Commissioner Adams questioned if CDOT has any kind of rewards for employees who report issues with the utility process. Mr. Lester responded that CDOT does not have a reward system in place.

Motion and Release of Xentivity Corporation Complaint Assessment Report

Chair Zink moved to release the Xentivity Corporation Complaint Assessment Report and thereafter to discuss it. The motion was seconded and all voted in favor. Chair Zink commented that the good news was that the allegations were not substantiated.

Mr. Spinelli presented a brief summary of the Xentivity Corporation Complaint Assessment Report, including the allegations, objectives, conclusions, and recommendations.

Chair Zink questioned whether there was anyone assigned at the project start to perform oversight for this contract. Mr. Spinelli explained that CDOT employees were assigned and there was routing of invoices through CDOT OIT, but that there was confusion on who was approving the invoices due to poor communication between the chief engineer and the OIT supervisor. Chief Financial Officer (CFO), Jeff Sudmeier, stated that for this particular situation, the person acting as signature proxy was under the impression that someone else had performed the validation, and that this should not occur since the person signing the invoices should be someone familiar with the services received.

Commissioner Adams questioned if CDOT contacted the whistleblower. Mr. Spinelli stated that the Audit Division contacted the whistleblower and gave the individual two opportunities to speak to auditors and provide supporting documentation, but that we did not get any further information from the whistleblower. Commissioner Adams asked if Xentivity interviewed the whistleblower, and Mr. Spinelli stated the he was not aware of whether they did or not. Commissioner Adams questioned Mr. Spinelli that if the whistleblower had not reported this to CDOT, would the Audit Division have performed this audit as part of its normal audit plan. Mr. Spinelli stated that the Audit Division would have not performed this audit because it targeted one individual contract. Executive Director, Shoshana Lew, explained that management requested the Audit Division perform the audit to rule out any fraudulent activity involving CDOT or CDOT's vendors and to be transparent to taxpayers and third parties.

Chair Zink questioned why on the Xentivity assessment report on table # 1, allegation # 3, the Audit Division used the word "to" instead of "by" when describing the allegation. Mr. Spinelli stated that the CDOT acting chief data officer is an employee of Xentivity. In addition, Ms. Lamb, Audit Supervisor, explained that the allegation is that the chief data officer, whom is an Xentivity employee, was giving Xentivity contracts. Chair Zink also asked if the Audit Division is okay with that. Mr. Spinelli stated that he did not find anything unusual with how the contract was established; however, the arrangements were somewhat complex. The Mulesoft software contract is with the OIT department and not with CDOT. Mr. Jeff Sudmeier further explained the allegation and that MuleSoft is a middleware kind of data management platform.

Commissioner Adams asked about the size of the Xentivity contract and if the contract is still active. Mr. Spinelli stated that the contract was between \$5 and \$6 million. Mr. Sudmeier further explained that the contract is a task order contract and remains active, and that approximately \$4.2 million has been paid in the last few years.

Commissioner Vasquez asked whether the Audit Division came to the conclusion that a malicious act occurred. Mr. Spinelli stated that the Audit Division did not come to that conclusion, and

that the allegations were unsubstantiated because the records CDOT maintained were unable to substantiate them.

Chair Zink asked what an electronic approval mechanism is. Mr. Sudmeier explained that the electronic approval mechanism is using the "OnBase" platform, which is an OIT tool that will provide CDOT, as well as other agencies, with the following services: record retention, document management, work load automation, processing invoices, and other capabilities. Currently, CDOT is on the testing phase of this platform. Chair Zink also asked what the application would do if the approver is not available. Mr. Sudmeier, stated that there would be other employees that would be authorized to approve a particular invoice based on the cost centers and the hierarchy.

Commissioner Halter made some remarks related to the actual benefits of this application based on his experience at the Department of Labor and Employment, and further explained that the City and County of Denver have been probably using the automatic approval of invoices and contracts for over 10 years.

Commissioner Adams commented that the audit reports prepared by the Audit Division were comprehensive and very well done. Chair Zink also complemented the work of the Audit Division.

Outstanding Recommendations

Mr. Spinelli presented the outstanding recommendations by identifying the divisions, number of outstanding recommendations, impact, and the months until the recommended action is expected to be completed.

Commissioner Adams asked if the two high impact recommendations on the Division of Accounting and Finance are lengthy because of the relation to the electronic solution. Mr. Spinelli explained that the way the slides were designed is to show the number of months that it would take to implement from today. Mr. Sudmeier stated that he is not sure that these two recommendations are related to the implementation of the OnBase application.

Mr. Spinelli also presented the new outstanding recommendations for the Division of Transportation Development (DTD) and Division of Accounting and Finance. He stated that recommendation 3 is related to the OnBase solution. He also explained that on the Utility Accounts Report just released had several recommendations already implemented.

Chair Zink asked if Mr. Spinelli was satisfied with the implementation of the recommendations. Mr. Spinelli stated that he is satisfied with the progress of the recommendations. In addition, he stated that some of the findings required more complex and lengthy solutions, such as a new enterprise resource planning (ERP) system. Mr. Sudmeier explained that CDOT is currently assessing the need for a new ERP system, which may include the upgrade and tune up of the actual SAP or the acquisition of a brand new ERP system. Chair Zink asked if the assessing of the new ERP includes budget capabilities. Mr. Sudmeier confirmed that the budget capabilities are included among other things that CDOT would consider before making a decision.

Adjournment

Meeting was adjourned at 5:15 pm.